

THE WAVERLEY SERIES

PUERTO RICO

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

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PUERTO RICO — AT A GLANCE

Capital	San Juan
Currency	United States dollar — a structural stability advantage relative to most Caribbean peers
Economic growth	The Economic Activity Index has been in negative territory for two consecutive fiscal years, down 0.6% in 2025 and 0.4% in 2026; the Planning Board revised its FY2026-27 growth projections down a further 10 basis points from its own January 2026 estimate, describing growth as remaining 'virtually flat'
Tariff impact	US tariff policy changes drove a 1.92% increase in total manufacturing production costs and a 33.7% increase in construction costs on the island, according to the Planning Board
Oversight Board assessment	The Financial Oversight and Management Board's February 2026 Economic Forecast Symposium concluded the island is 'slowing, not sinking' — heading into a period of slower, more measured growth rather than an economic downturn
Federal reconstruction funding	Tens of billions of dollars remain obligated for energy, water, housing, transportation and public facilities — described as the largest near-term economic catalyst, contingent on procurement discipline, permitting speed and interagency coordination, areas where the island has historically struggled
Manufacturing	The island's most durable structural advantage; pharmaceutical and medical device exports dominate, anchoring Puerto Rico within global life sciences supply chains
Emerging startup ecosystem	More than \$520 million in startup investment attracted in 2022 alone, with over 120 funding rounds recorded since 2020; the Parallel18 accelerator has supported more than 600 startups across 17 countries
Energy	Described by independent analysis as the economy's most persistent drag; reliability failures and rate volatility have made energy risk 'structural,' directly shaping business site selection and capital planning despite ongoing grid investment
Governing framework	A self-governing US Commonwealth (territory) whose fiscal affairs remain under the federal Financial Oversight and Management Board established under PROMESA; Governor Jenniffer González leads the territorial government

Puerto Rico's economy is genuinely slowing rather than growing, with its own Economic Activity Index negative for two straight fiscal years and the territorial Planning Board revising growth projections down yet again this year. US tariff policy has driven a striking 33.7% rise in construction costs specifically, complicating the execution of tens of billions of dollars in federal reconstruction funding that both the Oversight Board and independent analysts identify as the island's largest near-term economic catalyst, if it can be delivered on time.

Manufacturing, anchored by pharmaceuticals and medical devices, remains genuinely durable, and a real, quantified startup ecosystem is emerging alongside it. Investors should read Puerto Rico as an economy the Oversight Board itself directly describes as 'slowing, not sinking,' where dollar-denominated stability and a resilient industrial base coexist with a structurally unreliable energy grid and a well-documented history of execution challenges on large public projects.

1. INVESTMENT & FDI

A genuinely emerging startup ecosystem is beginning to complement Puerto Rico's traditional multinational manufacturing base, even as the island's fiscal credibility remains a directly acknowledged precondition for broader investment confidence.

A quiet transformation is unfolding in Puerto Rico's economy, not driven solely by the multinational corporations that have long defined its industrial landscape, but increasingly by a new generation of companies bringing fresh capabilities, new industries and renewed momentum; new value chains are emerging as organisations hire specialised talent, collaborate with research institutions, and reactivate underutilised infrastructure. Puerto Rico attracted more than \$520 million in startup investment in 2022 alone and has recorded over 120 funding rounds since 2020, with the Parallel18 accelerator having supported more than 600 startups across 17 countries. At the Oversight Board's 2026 Economic Forecast Symposium, Executive Director Robert F. Mujica Jr. stated directly: 'Puerto Rico cannot fix its credit without fixing confidence, and confidence starts with credible budgets built on credible economic assumptions.'

- **A genuinely quantified, structural diversification beyond traditional manufacturing:** the specific startup investment and funding-round figures, alongside Parallel18's substantial multi-country track record, represent real, measurable evidence of economic diversification rather than aspirational rhetoric alone.
- **A direct, institutional linkage between fiscal credibility and investment confidence:** Mujica's explicit statement connecting credit repair to budget credibility represents a clear, sourced framework for understanding what continued fiscal discipline is meant to achieve for the broader investment climate.
- **A reactivation-oriented investment model:** the specific reference to reactivating underutilised infrastructure suggests some emerging investment is capitalising on existing, idle assets rather than requiring entirely new capital construction.

2. TRADE & BUSINESS

A severe, specific tariff-driven construction cost increase illustrates Puerto Rico's direct exposure to US federal trade policy, even as pharmaceutical and medical device manufacturing continues anchoring the island's core export base.

According to a Planning Board report, US tariff policy changes drove a 1.92% increase in total manufacturing production costs and a striking 33.7% increase in construction costs on the island. Manufacturing continues to be the island's most durable structural advantage, with pharmaceutical and medical device exports dominating and anchoring Puerto Rico within global life sciences supply chains. Businesses are increasingly investing in renewable energy solutions, including solar panel installations and battery storage systems, to reduce dependence on unreliable grid infrastructure, qualifying in the process for federal and local renewable energy tax credits.

- **A severe, specific, quantified construction cost shock directly tied to US trade policy:** the 33.7% construction cost increase represents a genuinely severe, precisely sourced impact with direct implications for the cost and pace of the federal reconstruction spending described in Section 3.

- **A continued, genuine export-sector anchor despite broader economic softness:** the dominance of pharmaceutical and medical device exports within global life sciences supply chains represents durable structural strength distinct from the island's more cyclical growth indicators.
- **A practical, incentivised business response to energy unreliability:** the specific uptake of solar and battery storage investment, supported by available tax credits, represents a concrete, already-occurring private-sector adaptation to the structural energy risk described in Section 4.

3. MAJOR ECONOMIC DEVELOPMENTS

The Oversight Board's own 'slowing, not sinking' assessment captures Puerto Rico's genuine current position, even as a documented history of execution challenges directly threatens the island's largest near-term economic opportunity.

The Economic Activity Index reported by the Department of Economic Development and Commerce has been in negative territory for two consecutive fiscal years, declining 0.6% in 2025 and 0.4% in 2026, and Planning Board president Hector Morales confirmed the government's new growth estimates for fiscal years 2026 and 2027 continue to point to an economic slowdown, with growth remaining virtually flat, representing a 10-basis-point downward revision from the Board's own January 2026 projections. At the Oversight Board's second annual Economic Forecast Symposium on 10 February 2026, held at the Puerto Rico Capitol, panelists reached consensus that the island is not heading into an economic downturn but into a period of slower, more measured growth, drawing partly on S&P Global Market Intelligence's assessment that softer but not weak labour market conditions reflect businesses retaining existing employees rather than expanding aggressively. Independent analysis identifies federal reconstruction funding, tens of billions of dollars obligated for energy, water, housing, transportation and public facilities, as the largest near-term economic catalyst, but cautions directly that properly executed, these projects can raise productivity and crowd in private investment, while poorly executed, they risk becoming inflationary, disruptive or simply delayed, with the economic payoff hinging on procurement discipline, permitting speed, engineering capacity and sustained interagency coordination, 'areas where Puerto Rico has historically struggled.'

- **A directly sourced, appropriately calibrated economic characterisation:** the Oversight Board's own 'slowing, not sinking' framing, reached through expert consensus rather than government messaging alone, provides a credible, non-alarmist basis for assessing the island's genuine near-term trajectory.
- **A specific, repeated pattern of downward growth-forecast revisions:** the Planning Board's second consecutive downward revision, following an already-negative Economic Activity Index across two fiscal years, indicates a consistent, not isolated, pattern of over-optimistic initial projections.
- **An honestly acknowledged historical execution weakness directly threatening the island's largest opportunity:** the explicit, sourced statement that procurement, permitting and interagency coordination are areas where Puerto Rico has historically struggled represents a candid, credible risk factor investors should weigh directly against the scale of available federal reconstruction funding.
- **A labour market described in specifically calibrated, non-alarmist terms:** the characterisation of conditions as 'softer, but not weak,' tied to employers retaining rather than shedding staff, represents a nuanced reading distinct from either a genuinely strong or a genuinely weakening labour market.

4. MAJOR PROJECTS & INFRASTRUCTURE

Federal reconstruction funding across energy, water, housing and transportation represents Puerto Rico's largest current infrastructure

opportunity, even as the energy grid itself remains the economy's most persistent structural constraint.

Energy remains the economy's most persistent drag, according to independent analysis: reliability failures impose direct costs on businesses, rate volatility squeezes households and undermines competitiveness, and despite ongoing grid investments, modernisation remains uneven and slow. For many businesses, energy risk is no longer episodic but structural, directly shaping site selection, capital planning and contingency costs; without measurable improvement in reliability and predictability, energy will continue to cap the island's growth potential. Separately, the Puerto Rico Science, Technology and Research Trust will receive a \$9.5 million allocation to expand research benefiting the island's economy, as announced by Governor Jenniffer González.

- **A structural, not merely episodic, energy-sector constraint directly shaping business decisions:** the explicit characterisation of energy risk as now structural, factoring directly into site-selection and capital-planning decisions, represents a serious, specific limitation on the island's broader growth potential that ongoing grid investment has not yet resolved.
- **A specific, modest but targeted research-sector investment:** the \$9.5 million PRSTRT allocation represents a concrete, near-term government commitment to expanding the island's research capacity, distinct from the larger federal reconstruction funding described elsewhere.

5. CONFERENCES, FORUMS & EXHIBITIONS

The Oversight Board's Economic Forecast Symposium and the 2026 Forward Summit together provided this year's most significant platforms for assessing Puerto Rico's economic trajectory to expert and investor audiences.

- **2026 Economic Forecast Symposium, Puerto Rico Capitol:** held 10 February 2026, this second annual symposium convened Oversight Board representatives, economists, government officials and fiscal leaders to assess the island's economic outlook, described in detail in Section 3.
- **2026 Forward Summit:** Oversight Board Executive Director Robert F. Mujica Jr. participated in a fireside chat with Red Ventures co-founder and CEO Ric Elias, discussing Puerto Rico's economic progress and pathways for long-term investment.

6. BUSINESS & INVESTMENT EVENTS

No additional major standalone business or investment events beyond the Oversight Board's symposium and summit engagements described in Section 5 were identified for this specific period.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

The federal Financial Oversight and Management Board and continued US federal reconstruction funding define Puerto Rico's most consequential current institutional relationships.

- **Financial Oversight and Management Board for Puerto Rico:** established under PROMESA, the Board's continued oversight of the island's budgets and fiscal credibility remains central to Puerto Rico's governance and investment-climate framework.
- **US federal government:** the tens of billions of dollars in obligated reconstruction funding across energy, water, housing, transportation and public facilities represents Puerto Rico's most substantial current external financial relationship.

- **Parallel18:** this accelerator's support for more than 600 startups across 17 countries represents a significant, internationally-connected innovation-ecosystem relationship distinct from traditional government-to-government or multinational-corporate ties.
- **Global life sciences supply chains:** Puerto Rico's continued anchor position within pharmaceutical and medical device manufacturing networks represents an enduring, structurally embedded international commercial relationship.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

A strengthening talent pipeline and university-linked research collaboration support Puerto Rico's emerging entrepreneurial ecosystem, even as broader inflationary and tariff-driven cost pressures constrain small business operating conditions.

Surrounding Puerto Rico's emerging startup ecosystem is a strengthening talent pipeline, with universities collaborating directly with new value-chain organisations on specialised hiring and research. Businesses across the island are being advised to plan strategically for 2026, factoring potential cost reductions from renewable energy investments and stabilising interest rates into their budgets, while inflationary pressure and elevated tariff-driven construction and manufacturing costs, described in Section 2, continue shaping near-term operating conditions.

- **A genuine, university-linked talent and research pipeline supporting new industries:** the direct collaboration between universities and emerging value-chain organisations represents concrete institutional support for the startup ecosystem's continued development.
- **Stabilising interest rates as a specific, near-term operating tailwind:** the beginning stabilisation of interest rates offers small businesses a concrete, if modest, financing-cost relief signal amid otherwise elevated cost pressures elsewhere in the economy.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Federal reconstruction-linked energy and infrastructure projects, renewable energy investment, and continued life sciences manufacturing expansion define Puerto Rico's most concretely promoted new investment channels.

- **Federal reconstruction-funded infrastructure:** the tens of billions of dollars obligated across energy, water, housing, transportation and public facilities, described in Section 3, represent Puerto Rico's largest current infrastructure investment and contracting opportunity, contingent on execution capacity.
- **Renewable energy and battery storage:** the specific business uptake of solar and storage investment, supported by available tax credits, represents a concrete, currently active energy-sector investment channel.
- **Life sciences and pharmaceutical manufacturing expansion:** continued investment in this durable, structurally anchored export sector remains open for further capacity development.
- **Startup and innovation ecosystem investment:** Parallel18-linked and broader venture capital opportunities offer continued entry points into Puerto Rico's genuinely emerging entrepreneurial sector.

SUMMARY ASSESSMENT

Puerto Rico's economy is genuinely slowing rather than growing, with its own Economic Activity Index negative for two straight fiscal years and the territorial Planning Board revising growth projections down yet again this year. US tariff policy has driven a striking 33.7% rise in construction costs specifically, complicating the execution of tens of billions of dollars in federal reconstruction funding that both the Oversight Board and independent analysts identify as the island's largest near-term economic catalyst, if it can be delivered on time.

Manufacturing, anchored by pharmaceuticals and medical devices, remains genuinely durable, and a real, quantified startup ecosystem, supported by more than \$520 million in 2022 investment alone and Parallel18's 600-plus supported companies, is emerging alongside it. Investors should read Puerto Rico as an economy the Oversight Board itself directly describes as 'slowing, not sinking,' where dollar-denominated stability and a resilient industrial base coexist with a structurally unreliable energy grid and a well-documented history of execution challenges on large public projects that will directly determine whether the current federal reconstruction opportunity is realised or squandered.