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CAPITAL ADVISORS, LLC

Puerto Rico Economic Update: Cracks in the System — Water, Power, and the Cost to Growth

Francisco Rodríguez-Castro
President & CEO
August 13, 2026

Welcome Message

"Elected officials do not inherit problems. They are supposed to know about them beforehand — that's precisely why they seek election, with the purpose of correcting those problems. Blaming predecessors is an easy, mediocre way out."

Francisco Rodríguez-Castro

President & CEO

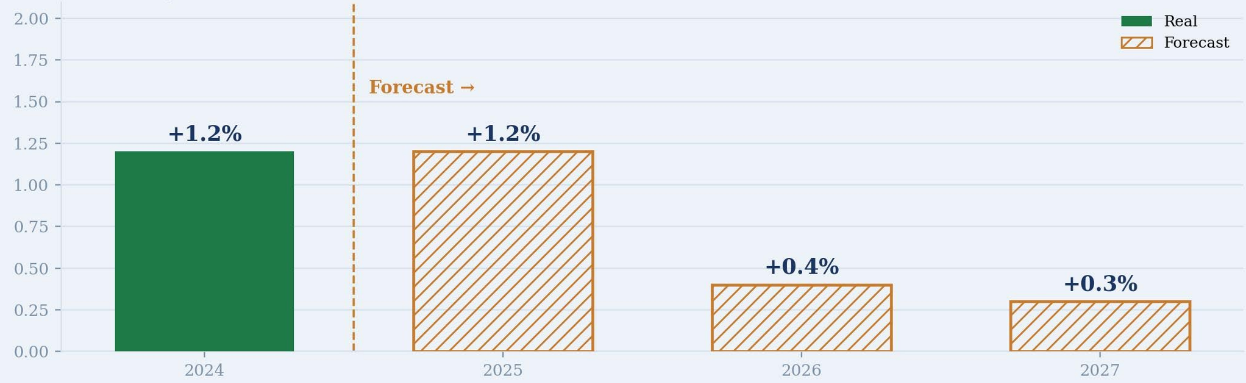
Puerto Rico Economic Growth Perspectives

Puerto Rico: three institutions, one same signal

Planning Board GNP forecast · FOMB economic projections · Economic Activity Index

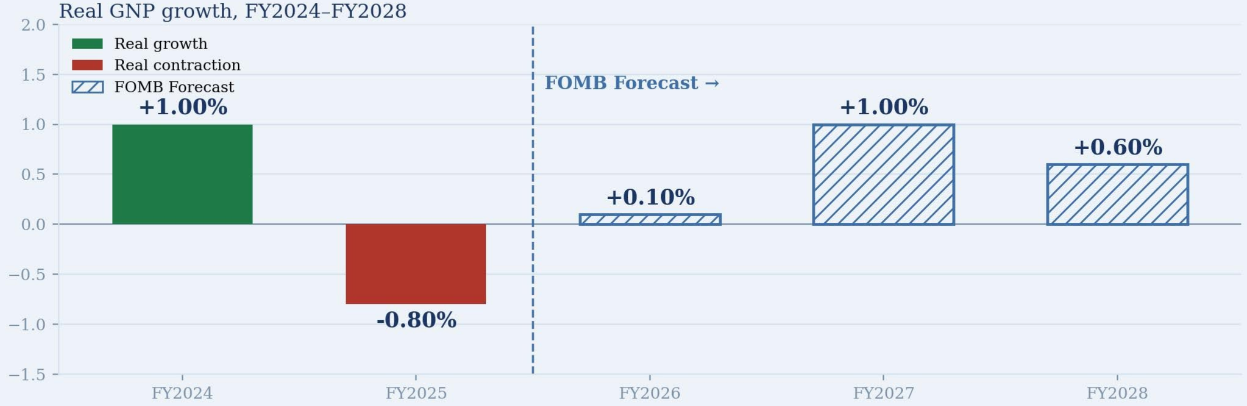
Puerto Rico Planning Board

Real GNP growth, 2024–2027

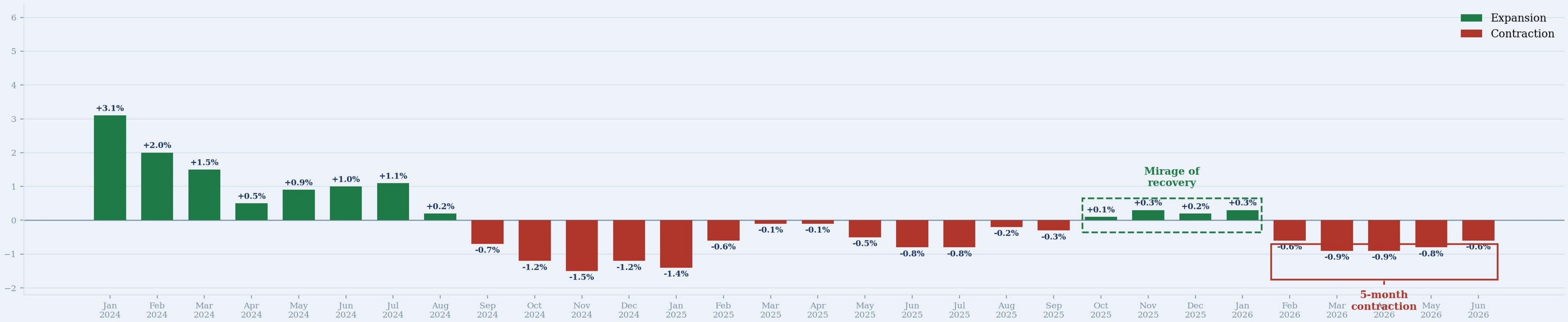


FOMB projections

Real GNP growth, FY2024–FY2028



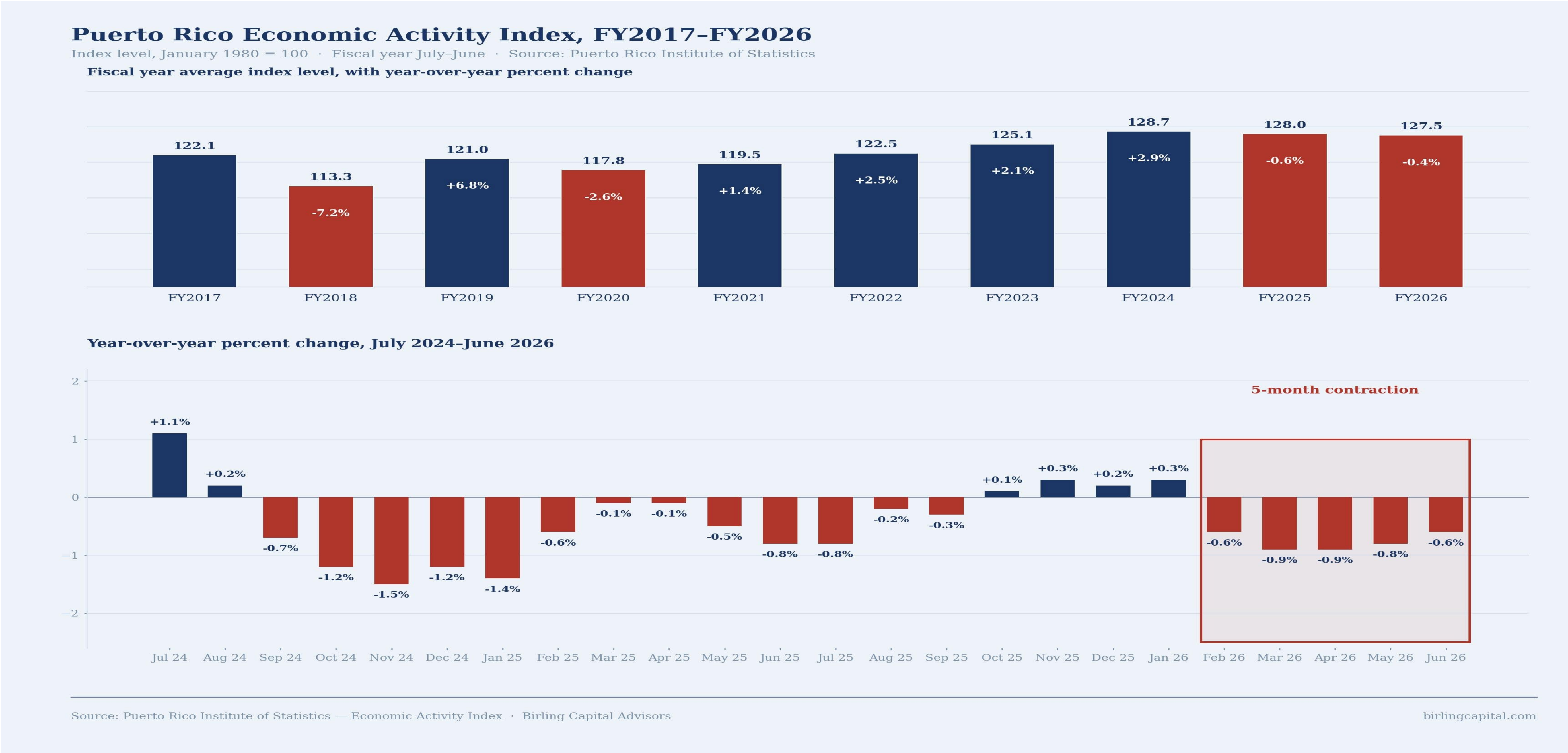
Economic Activity Index — year-over-year percent change, January 2024–June 2026 (updated)



Three institutions. Three methodologies. One same conclusion: Puerto Rico's growth trajectory is decelerating — and the margin of error is virtually zero.

Sources: Puerto Rico Planning Board · FOMB · Puerto Rico Institute of Statistics · Birling Capital Advisors, LLC · August 2026

Puerto Rico Economic Activity Index Deep in Contraction



Puerto Rico Unemployment Rate: Breaking From Historic Lows

The unemployment rate rose in June to 5.80% form 5.60% in May 2026.

Puerto Rico Unemployment Rate

January 2025 – 6/2026 · Seasonally adjusted

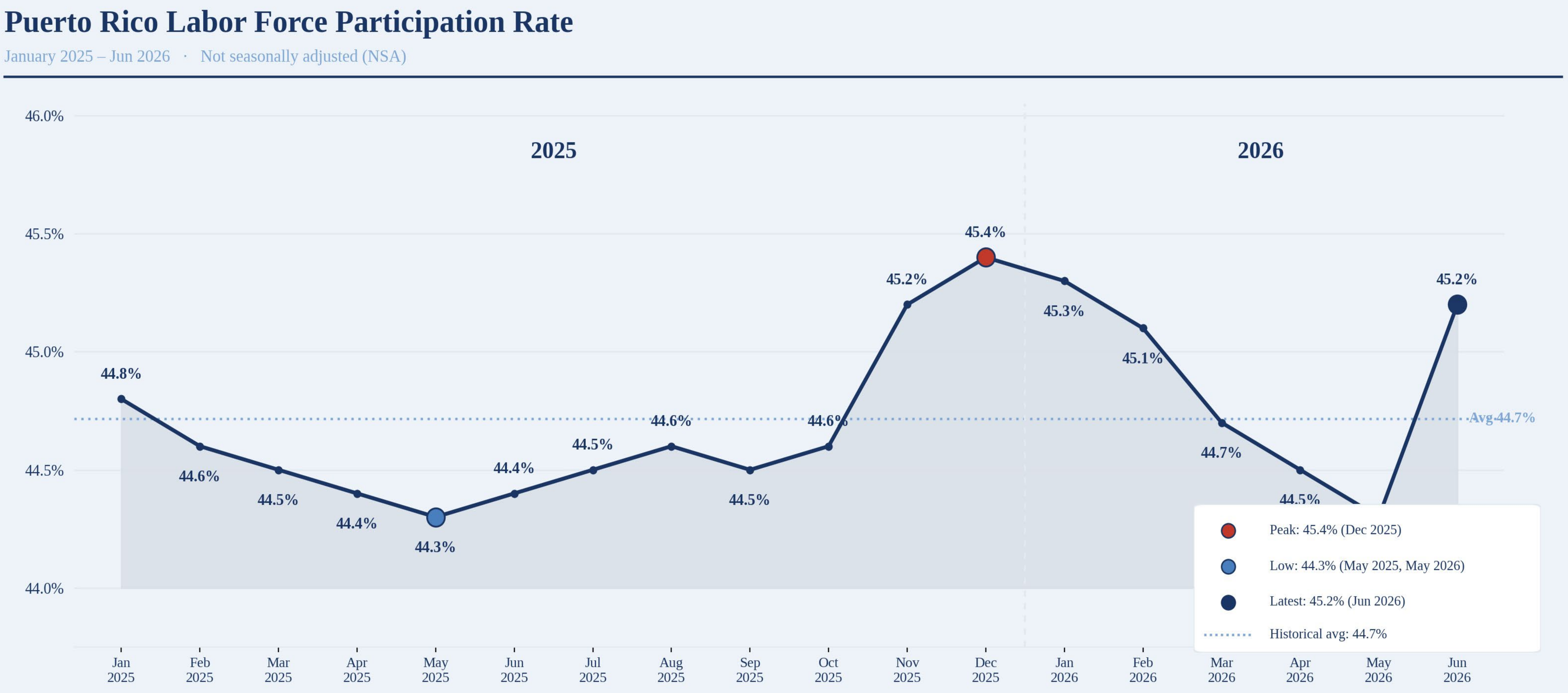
Peak: 5.8% (6/2026) Low: 5.4% (1/2025) Latest: 5.8% (6/2026)

Source: Puerto Rico Department of Labor and Human Resources · Birling Capital Advisors

July 2026

Puerto Rico's labor force participation rate is stable

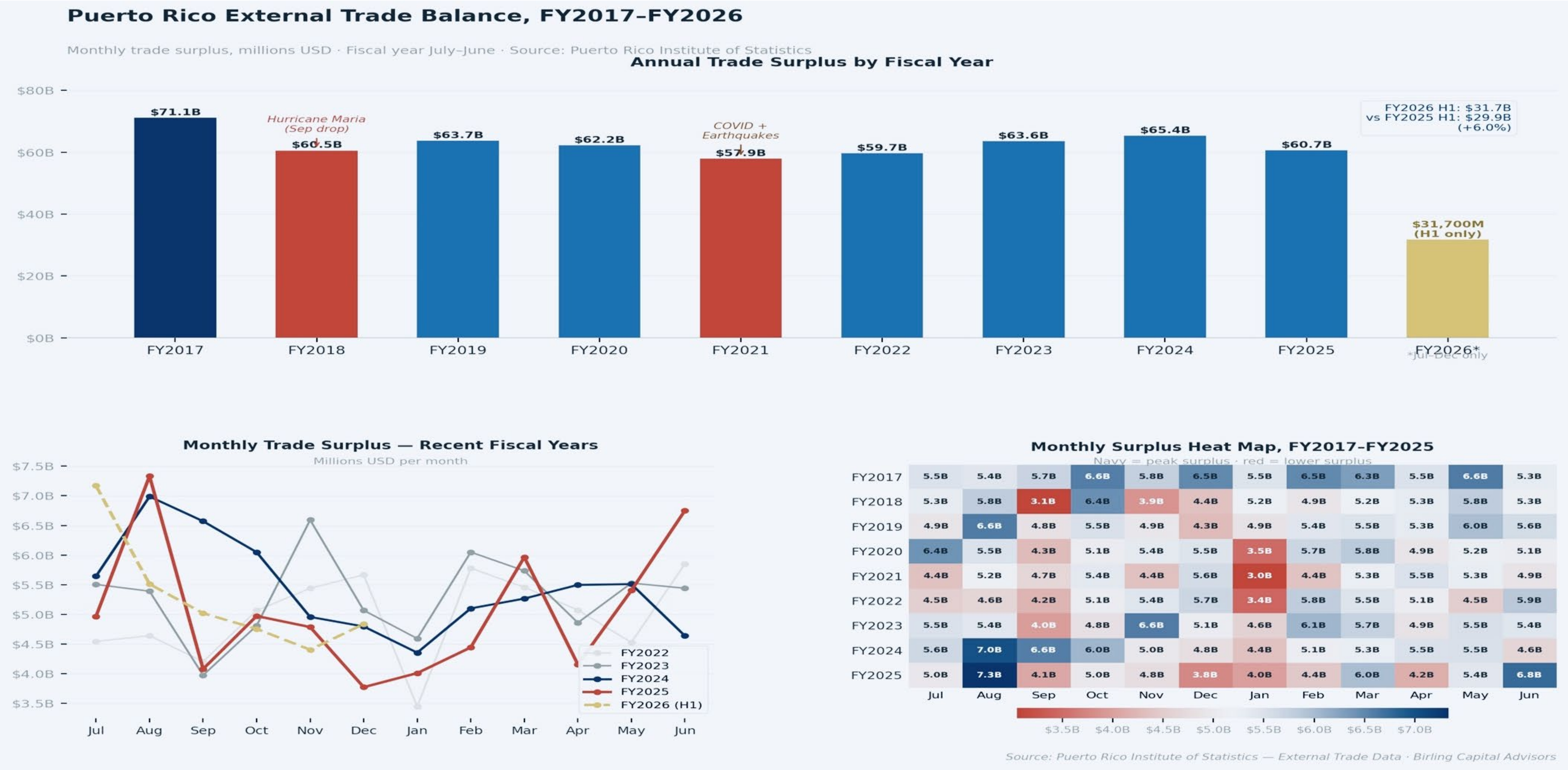
The labor force participation rate rose to 45.20% in June 2026, up from 44.30% in May 2026.



Source: Puerto Rico Department of Labor and Human Resources · Birling Capital Advisors

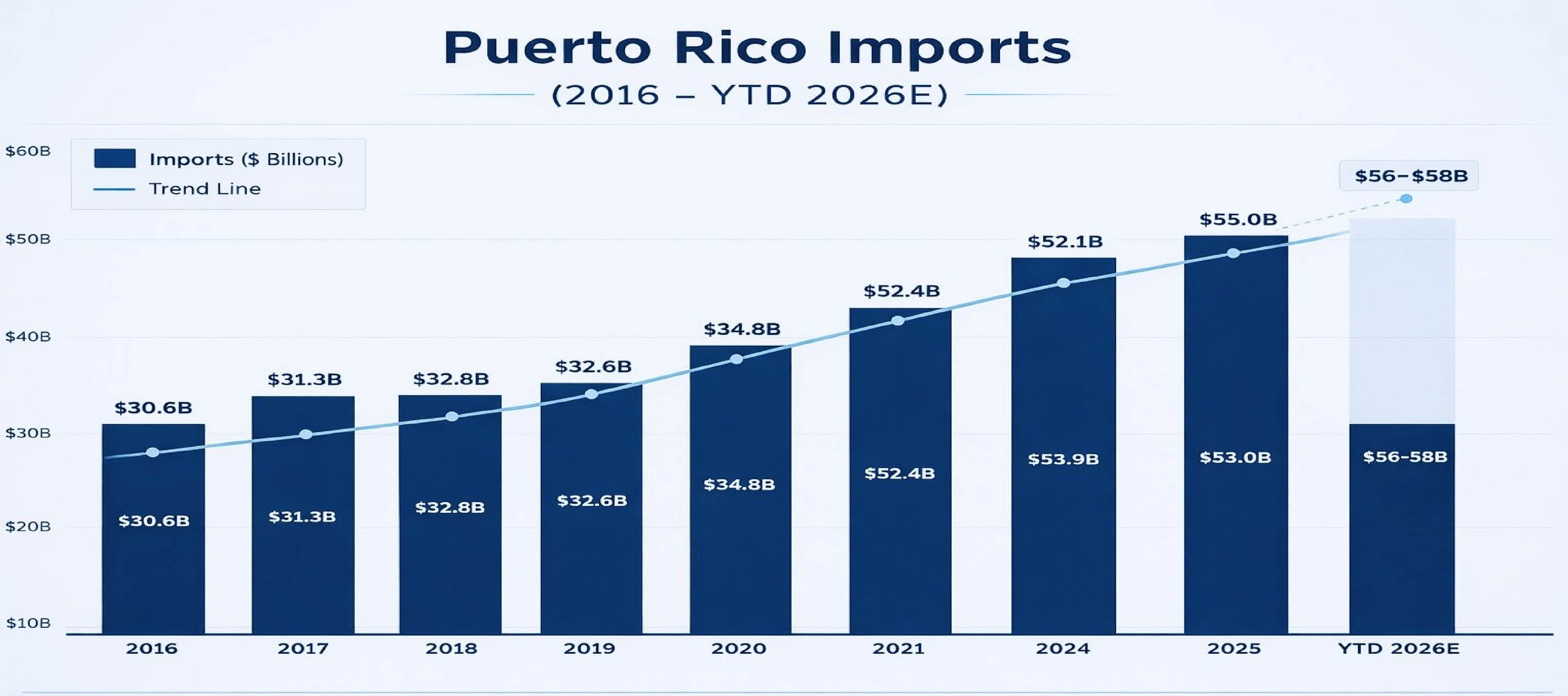
July 2026

Puerto Rico External Trade Balance



Puerto Rico Imports

Puerto Rico's imports reached $55.0 billion in 2025, marking a record high and reflecting strong demand across consumption and industrial activity**. For 2026 YTD, imports are tracking toward an estimated $56–$58 billion, indicating continued growth.**



Puerto Rico Retail Sales

Puerto Rico's retail sector 2025 at $52.4 billion (+2.3%), a nominal high — but growth has reversed. So far in 2026 it fell -1.4% to $16.7 billion, with April posting the steepest monthly decline at -2.2%, driven by weak vehicle and gas station sales. Fiscal-year 2026 (July–April) remains positive at +1.0%, but is narrowing as momentum turns negative.

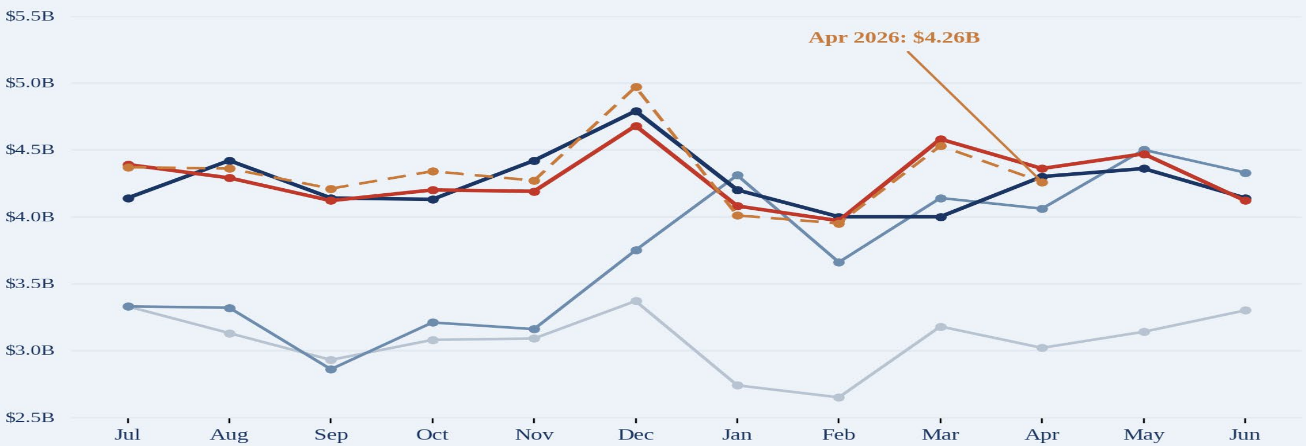
Puerto Rico Retail Sales, FY2010–FY2026

Annual Retail Sales by Fiscal Year (Jul–Jun); FY2026 through April

Annual Retail Sales by Fiscal Year (Jul–Jun); FY2026 through April

Source: DDEC — Office of Strategy and Business Intelligence

Monthly Retail Sales — Recent Fiscal Years



Monthly Sales Heat Map, FY2017–FY2026

Billions ($) · navy = high, red = low

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY2017	2.29	2.30	2.30	2.45	2.65	3.04	2.37	2.32	2.51	2.19	2.58	2.60
FY2018	2.58	2.65	1.72	1.90	2.74	3.35	2.76	2.65	2.77	2.61	2.97	2.93
FY2019	3.08	2.96	2.48	2.56	2.70	3.00	2.69	2.72	2.59	2.30	2.36	2.39
FY2020	2.46	2.69	2.27	2.56	2.69	2.91	2.47	2.29	1.57	2.05	2.06	2.93
FY2021	2.96	2.95	2.66	2.63	2.62	3.00	2.56	2.61	3.02	2.95	3.38	3.34
FY2022	3.33	3.13	2.93	3.08	3.09	3.37	2.74	2.65	3.18	3.02	3.14	3.30
FY2023	3.33	3.32	2.86	3.21	3.16	3.75	4.31	3.66	4.14	4.06	4.50	4.33
FY2024	4.14	4.42	4.14	4.13	4.42	4.79	4.20	4.00	4.00	4.30	4.36	4.14
FY2025	4.39	4.29	4.12	4.20	4.19	4.68	4.08	3.97	4.58	4.36	4.47	4.12
FY2026*	4.37	4.36	4.21	4.34	4.27	4.97	4.01	3.95	4.53	4.26	n/a	n/a

$1.57B (low) $3.5B $4.97B (high)

Source: DDEC — Informe de Ventas al Detalle (Strategy and Business Intelligence Office) · Birling Capital Advisors

Puerto Rico Auto Sales Industry

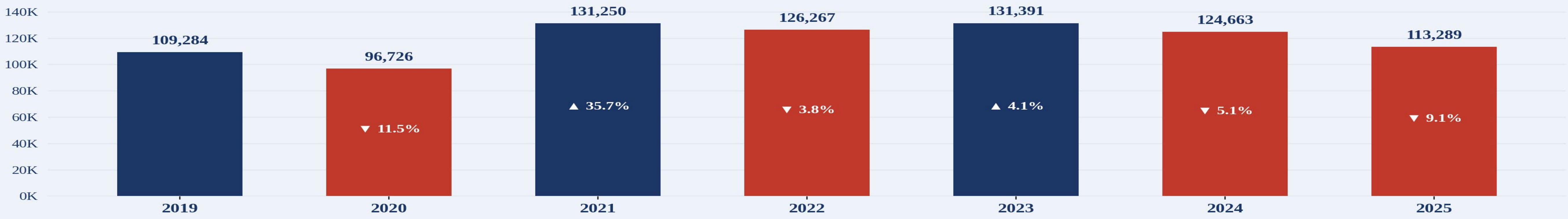
Puerto Rico's vehicle market closed 2025 down 9.1% to 113,289 units, and 2026 opened even weaker, with sales through April down 21.9% and April alone collapsing 27.3%. June broke the pattern with the industry's first year-over-year gain in thirteen months, up 2.46% to 8,738 units. The freefall has clearly decelerated, and GUIA now projects a milder 3% full-year pullback to roughly 107,000 units.

Puerto Rico Auto Sales — GUIA Industry Report, June 2026

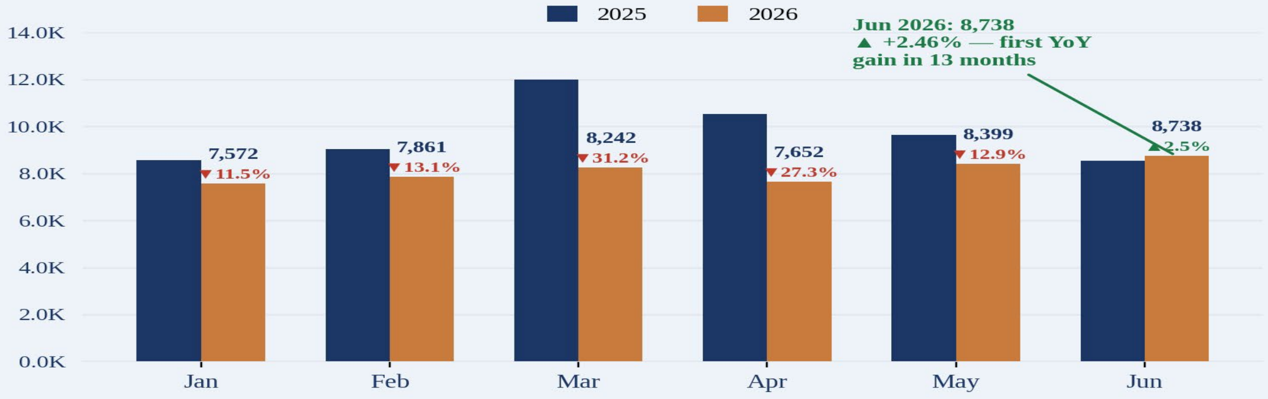
New vehicle registrations (PR & USVI) · Source: Grupo Unido de Importadores de Automóviles (GUIA)

Annual New Vehicle Sales — Puerto Rico (Full Year)

2026 projection: ~107K (GUIA, Jul 2026 estimate; ≈3% vs 2025)

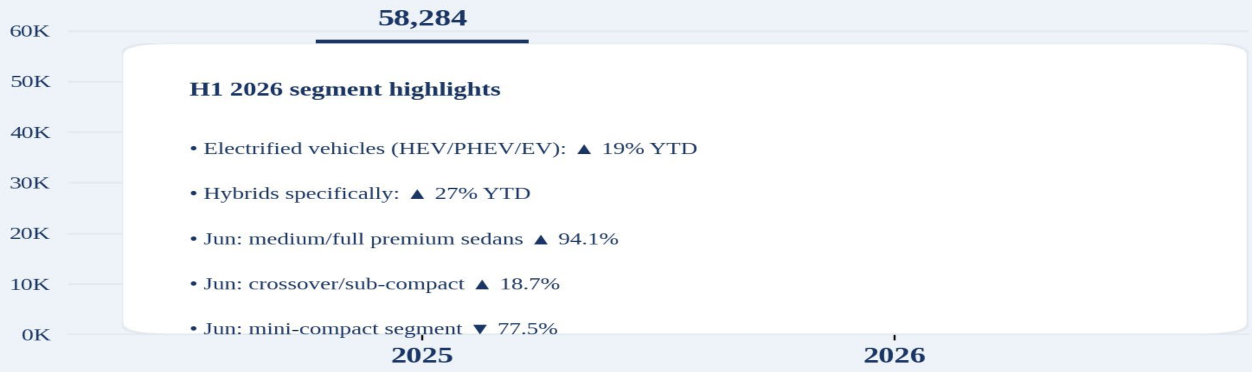


Monthly Sales Comparison: Jan–Jun (2025 · 2026)



Year-to-Date Sales: Jan–Jun (Cumulative Units)

H1 2026 down −16.85% vs H1 2025, despite June's rebound



Source: Grupo Unido de Importadores de Automóviles (GUIA) · El Nuevo Día · NotiCel · Primera Hora · June 2026 Report

GUIA President Rosángela Guerra: June's gain reflects easing base effects, but persistent inflation, geopolitical tension, and the excise-tax system keep pressuring demand.

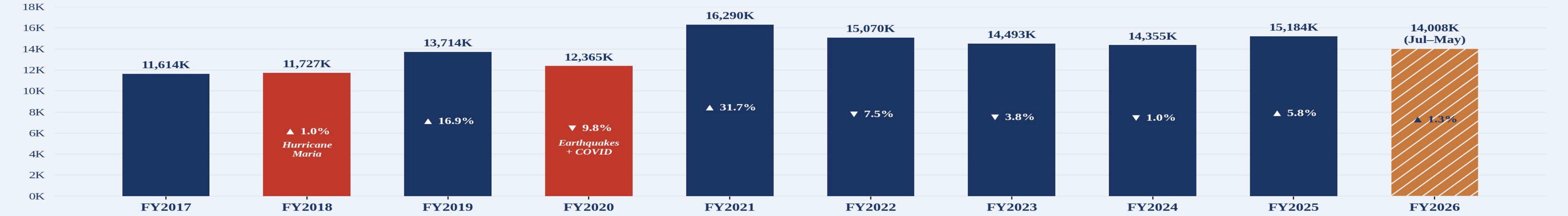
Puerto Rico Sales of Bags of Cement

Puerto Rico cement bag sales totaled 15,184K bags in FY2025 — a recovery year, up 5.8% from FY2024's 14,355K and the strongest full fiscal year since the FY2021 post-reconstruction peak of 16,290K. FY2026 opened even stronger: the first half (July–December) posted 7,675K bags, up 5.1% over the same period in FY2025.

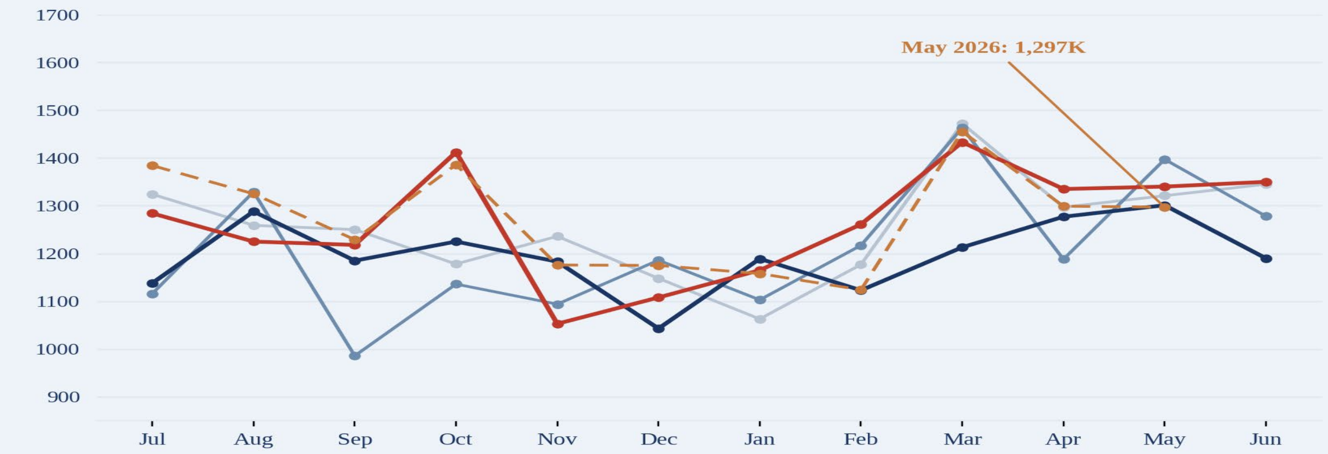
Puerto Rico Sales of Cement Bags, FY2017–FY2026

Annual Cement Bag Sales by Fiscal Year (Jul–Jun); FY2026 through May

Source: Puerto Rico Institute of Statistics



Monthly Sales — Recent Fiscal Years



Monthly Sales Heat Map, FY2017–FY2026

Thousands of bags · navy = high, red = low

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY2017	921	1,018	1,004	930	807	931	849	1,038	1,069	930	1,071	1,046
FY2018	917	1,022	299	491	680	883	1,034	1,174	1,297	1,331	1,366	1,233
FY2019	1,192	1,262	1,101	1,195	1,117	1,002	1,068	1,118	1,174	1,146	1,214	1,125
FY2020	1,150	1,118	1,020	1,256	1,080	999	852	1,075	527	451	1,240	1,597
FY2021	1,424	1,391	1,411	1,368	1,103	1,409	1,201	1,357	1,573	1,366	1,389	1,298
FY2022	1,324	1,259	1,250	1,178	1,236	1,148	1,063	1,177	1,472	1,297	1,321	1,345
FY2023	1,116	1,329	986	1,136	1,094	1,186	1,103	1,217	1,463	1,188	1,397	1,278
FY2024	1,138	1,288	1,185	1,225	1,183	1,043	1,189	1,123	1,213	1,277	1,301	1,190
FY2025	1,284	1,225	1,218	1,412	1,053	1,108	1,165	1,261	1,433	1,335	1,340	1,350
FY2026*	1,384	1,325	1,229	1,386	1,176	1,175	1,158	1,124	1,455	1,299	1,297	n/a

299K (low) 900K 1,597K (high)

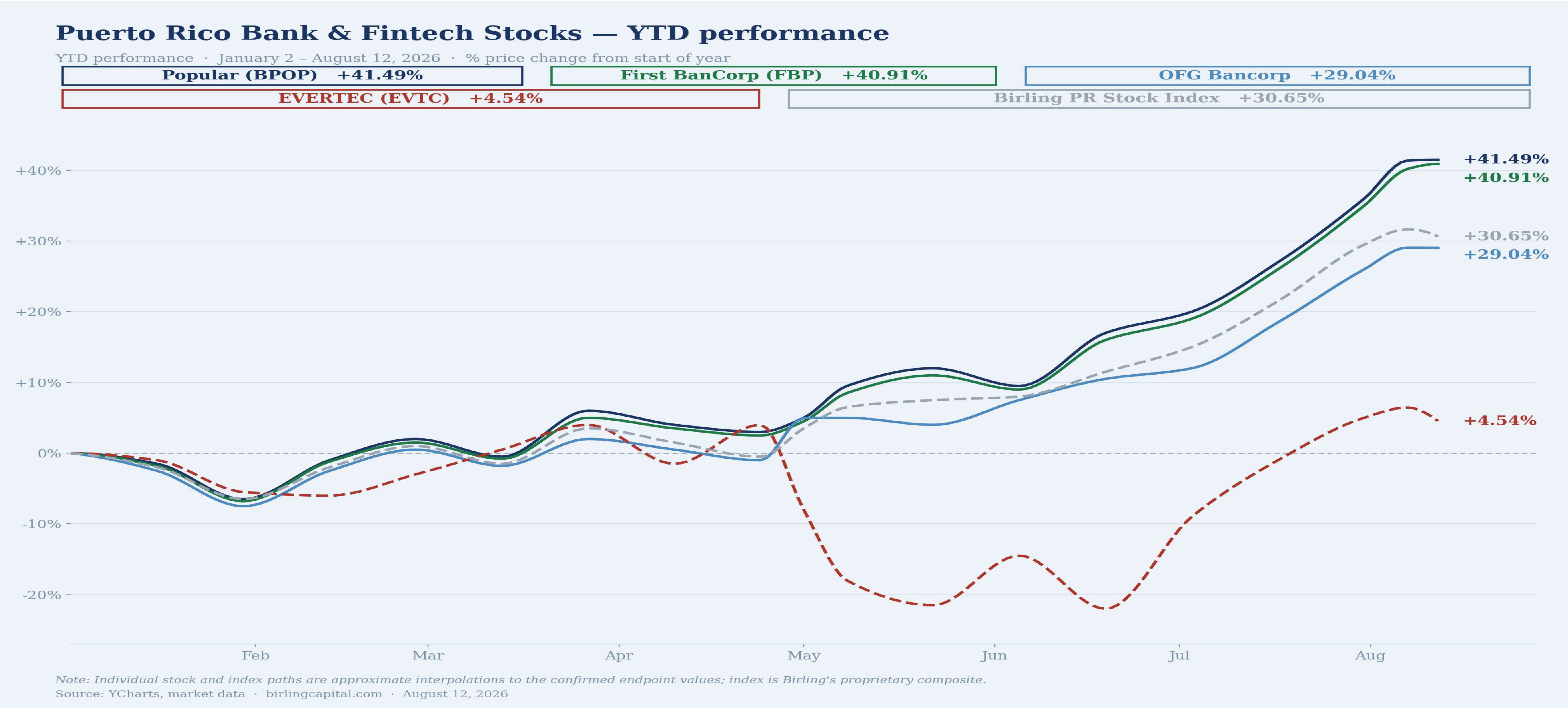
Source: Puerto Rico Institute of Statistics — Cement Data · Birling Capital Advisors

Thousands of 94-lb bags per month

Birling Capital Puerto Rico Stock Index

Birling Capital Puerto Rico Stock Index

The Birling Capital Puerto Rico Stock Index as of August 12,2026 is delivering a strong year-to-date return of **30.65%**, underscoring the resilience of Puerto Rico's publicly traded corporate base and continues to dominate 2026 performance, with the **Dow Jones at 11.87%.**



Puerto Rico Water Crisis: Causes and Impact

Water rationing: The scale and the causes

BIRLING CAPITAL ADVISORS, LLC

120+ years

Driest July on record in San Juan

About 25% of Puerto Rico is under severe drought, and another 36% under moderate drought.

59%

Of all treated water is lost before reaching customers

Leaks, theft via inaccurate meters, and deteriorated pipes. This is not only a drought problem — it is an infrastructure failure.

$3.9B

Needed to upgrade public water systems

A 2019 ASCE report gave Puerto Rico's drinking-water infrastructure a 'D' grade; a December update put the cost to fix systems serving 96% of the island at $3.9 billion.

180,000+

Customers placed on rotating rationing

AAA has put more than 180,000 customers in San Juan and six additional municipalities on rotating 48-hour rationing schedules starting August 7, 2026.

Human impact: Impact on citizens

- **Daily cost of survival**

Businesses report spending more than $3,000 weekly to secure water, while ordinary residents spend $70–$100 a day, often hauling it from public cisterns.

- **Nearly two months without water**

Thousands of residents have gone almost two months without running water, carrying jugs up stairwells in extreme summer heat.

- **Beyond business owners**

The impact also reaches employees, suppliers, and consumers — especially older residents who depend on continuous access to food prepared under safe hygiene standards.

- **La Perla and Plaza Colón**

Elderly residents in communities like La Perla had no way to travel for water; water distributed at municipal points such as Plaza Colón was not fit for consumption — sanitary use only.

- **Cultural and community fallout**

The disruption forced the temporary closure of cultural spaces like the Museum of Contemporary Art, and the suspension of a summer camp serving 115 children — evidence the impact reaches well beyond economics.

Business impact: Business cost by sector

Commerce

$20M+/day

Birling Capital estimates the water crisis is costing small and medium businesses islandwide more than $20 million a day. Hardest-hit municipalities include Canóvanas, Río Grande, San Lorenzo, Comerío, Loiza, Cidra, San Juan, Guaynabo, and Bayamón.

Restaurants

$2,000–$3,500/wk

Buying water from private tanker trucks costs each restaurant between $2,000 and $3,500 a week.

Hotels & tourism

up to $150,000

Some hotels report spending up to $150,000 to secure their water supply; short-term rental operators estimate operating costs up 20–30%. A PRHTA survey of just six hotels found roughly $800,000 in water spending in one week, and six to seven small hotels could not secure water and had to close.

Manufacturing

~50 operations

Most manufacturing sits outside the rationing zone, but Carolina and Canóvanas — included in the plan — host about 50 combined manufacturing operations, including Eli Lilly Industries, Omega & Delta Co., and PPG Puerto Rico. PRMA is assisting affected plants, many of which maintain their own cisterns as a contingency — an added cost outside regular budgets.

Healthcare

At risk

Hospitals and healthcare facilities were identified alongside manufacturers, restaurants, and hotels as businesses dependent on continuous water service, facing higher operating costs and potential disruptions requiring contingency plans.

Cost Analysis: Total cost: daily, weekly, monthly

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1. Cross-sector SME analysis

Islandwide

Daily	**$20,000,000**
Weekly	**$140,000,000**
Monthly	**$600,000,000**

Single aggregate islandwide figure. Covers only small and medium businesses — excludes hotels, manufacturing, and healthcare separately.

2. Birling Capital extrapolation

Households under rationing

Daily	**$85/hh, $15.3M**
Weekly	**$595/hh, $107.1M**
Monthly	**~$2,550, ~$459M**

Base: ~180,000 customers under rotating rationing; residential spend $70–$100/day (midpoint $85). AAA "customers" may include businesses, so this likely overlaps partially with method 1 — do not sum directly without adjustment.

3. Per-business-unit cost

Sector specific

Restaurant	**$286–$500/day**
Commerce (per business)	**up to $700/day**
Hotel (PRHTA avg., 6 hotels)	**~$19,000/day**
Hotel (highest reported)	**up to $150,000/wk***

**One-time event reported by a single hotel, not necessarily recurring week to week.*

Quick read

Most citable islandwide figure: **$20M daily / $600M monthly (SMEs only).** Adding extrapolated residential spend, the combined household-plus-small-business hit reaches roughly **$35M daily** in affected zones — though this sum needs a methodological caveat for possible overlap. No source has published a consolidated islandwide total across hotels, restaurants, manufacturing, households, and commerce.

Tourism and investment: Reputational damage

- Since June 10, repeated failures in the Superaqueduct of the North have left more than 100,000 customers without potable water in San Juan, Bayamón, Guaynabo, Isla Verde, Caguas, and surrounding municipalities — striking the island's most iconic tourist zones directly.
- Raúl Bustamante, PRHTA Board Chairman, has publicly warned that the supply disruption threatens the viability of the island's tourism and commercial operations.
- The historical pattern is concerning: past basic-service crises in Puerto Rico have triggered cruise-ship cancellations — each single cancellation has represented up to $439,000 in lost economic impact. A prolonged, high-media water crisis poses the same reputational risk heading into peak season.
- For institutional investors, an island unable to guarantee running water — after years of energy and fiscal crisis — reinforces the infrastructure-risk narrative already weighing on Puerto Rico's cost of capital and its country-risk perception among insurers, rating agencies, and institutional funds.
- The damage isn't only external: international coverage (NPR, Washington Post, AP, Circle of Blue) has framed the crisis as a chronic governance and maintenance failure — not an isolated climate event.

The governance angle

59% of Puerto Rico's potable water supply has been lost over the past 19 years to leaks, breaks, and spills — a chronic history of underinvestment that predates this drought.

Reservoir dredging has been discussed for decades, always during a crisis — and then nothing happens.

The pattern repeats: crisis, media attention, promises, and a return to inaction until the next drought.

Puerto Rico's Energy Grid Losing More Ground

Energy Reliability: Grid Performance Deteriorating

SAIDI and SAIFI worsening despite infrastructure investment; generation reserves critically strained

SAIDI
System Avg. Interruption Duration Index

1,414
min/yr · Jan 2025

1,706
min/yr · July 2026

▲ +20.65%

PREB Baseline: 1,243 min/yr

SAIFI
System Avg. Interruption Frequency Index

~8.0
events/yr · Jan 2025

~7.98
events/yr · July 2026

▼ 0.24%

PREB Target: 1.0 event/yr

Generation Reserves
Avg. Availability & Load-Shedding Hours

53%
avg. availability (unchanged)

154 hrs
load-shedding 2025 vs 78 in 2024

▼ +97.4%

Emergency fund: $200M deficit

The US Average for SAIDI 120 Minutes that makes Puerto Rico's Current SAIDI Average of 1,706 minutes 1,321.7% above the US average

Renewable Energy & Storage: Forward Momentum

Puerto Rico's grid is being reshaped by large-scale solar and BESS deployment across P.R.

New MWs Installed — Generation Capacity

90 MW

As of July 31, 2026

+700 MW

Operational by Year End 2026

To Expand

Tranche 1: 290 Utility Scale Solar + ~400 MW Emergency Generation by PR Government

BESS Installed — Utility Scale Battery Energy Storage

0 MW

As of July 31, 2026

~385 MW

By Year end 2026

▲ Expanding

Tranche 1: Tesla / Genera: 100 MW for 2026 and CFE/AES 285 MW by Year End

Birling Capital Overview

Strategic Advisory Driving Transformative Wealth

Birling Capital Overview

Strategic Statement

Birling Capital Advisors delivers the insight that empowers clients to create transformative wealth and achieve decisive, enduring, and sustainable financial performance — propelled by constant movement, anchored by unwavering principles.

Birling Capital Overview

BIRLING
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Birling Capital is a leading corporate advisory & consulting firm that offers broad corporate finance & advisory services to institutional, government, corporate, middle-market companies, family corporations and their owners, in identifying and resolving organizational finance-related issues. We use a holistic approach both assets and liabilities sides with integrated business, personal, family needs and objectives.

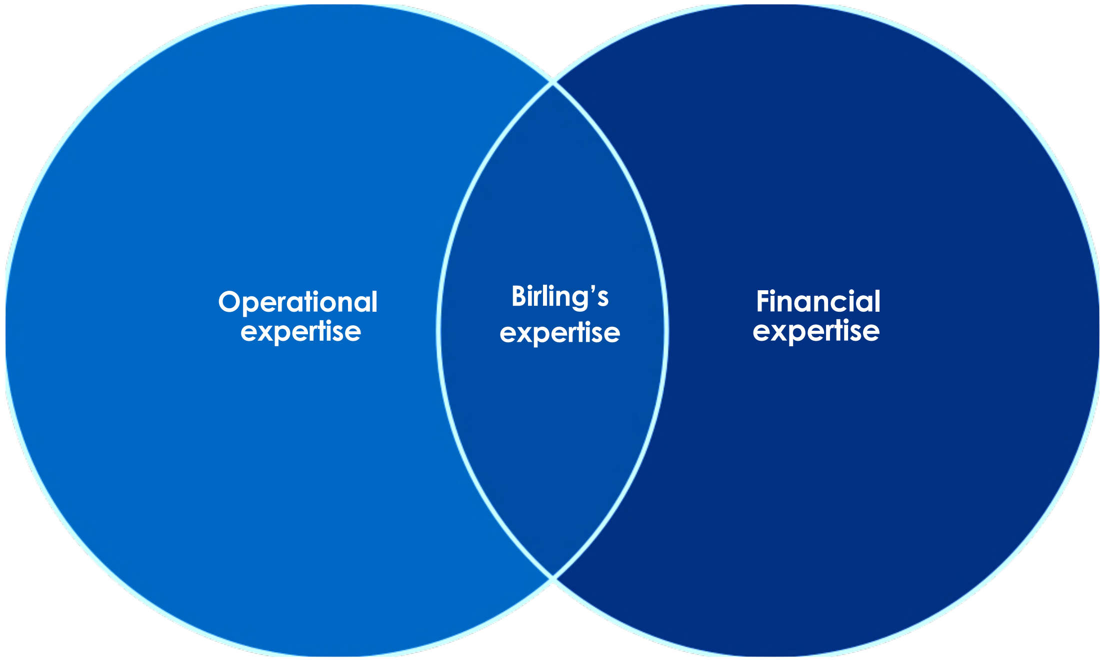
Over the past two decades, our firm's principals have advised on more than $10 Billion in transactions in the corporate, healthcare, retail, education, insurance, banking and government markets.

Our value proposition has been implemented with three critical ingredients for success:

- Unwavering Commitment to Client Service
- Unparalleled Degree of Professionalism and Senior-Level Attention
- Extraordinary Level of Industry Expertise

Our Integrated Approach

- Revenue and profit improvement
- SG&A and cost reduction strategies
- Asset base analysis and optimization
- Corporate simplification
- Finance function transformation
- Interim management including CEO, CFO and COO
- Crisis management stabilization



- Chief Restructuring Officer (CRO)
- Project management and delivery
- Lead advisor to creditor groups, management teams and other stakeholders
- Business review and business planning
- Cashflow management, liquidity review, stabilization and optimization
- Stakeholder negotiation involving covenant resets, refinancing and debt restructuring
- Working capital improvement

Birling combines both operational and financial expertise to provide a full service offering. This means we design the solutions and then work with our clients to implement them.

Birling Capital's Corporate Financial Planning

Birling Capital's holistic service approach

Birling Capital: Products and Services

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Consulting and Advisory Practice Approach

- Financial institutions and Credit Unions
- Family Business & Family Offices
- Healthcare and Pharma
- Higher education Hotels & Commercial real estate
- Government
- Tax Credits Monetization and Consulting
- Investment Policies Development & Portfolio Design
- Media and Advertising Companies
- Insurance companies
- Manufacturing and industrial operations
- Retail & Consumer Products
- Distribution and services
- Act 60 Advice
- Technology & FinTech Practice

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