



# Navigating U.S. Trade Policy with Puerto Rico Impacts

## *Supreme Court Ruling on Tariffs, Markets, and Client Confidence*

Francisco Rodríguez-Castro, President & CEO | March 17, 2026

### Welcome Message

*"Markets are living conversations, expressed in numbers. Data gives them voice — revealing how they feel, where they move, and how they behave. From uncertainty, we distill insight, from strategy, foresight. We speak this language fluently."*

— Francisco Rodríguez-Castro, President & CEO, Birling Capital Advisors

### Tariff Turmoil Returns

#### Key Takeaway

The U.S. Supreme Court has ruled that tariffs imposed under emergency authority were unlawful, materially altering the current trade policy landscape.

#### The Big Picture

This is no longer merely political rhetorical. It represents a structural change in trade policy authority that introduces a new layer of uncertainty into markets and business planning.

## How Did We Get Here? As Framed by President Trump

The following is a timeline of the most significant events that shaped the current tariff environment:

### Policy Origin — June 2016

During Trump's first presidential campaign, the tone of trade policy was set through declarations focused on the use of tariffs and retaliation against countries gaining unfair advantages over the United States.

### Steel & Aluminum — March 2018

Tariffs of 25% on steel and 10% on aluminum were imposed with the stated objective of protecting U.S. domestic industries from foreign competition.

### Déjà Vu — September 2024

Throughout the 2024 presidential campaign, tariffs again became a central policy promise. Trump articulated the vision of making the United States a "tariff nation," insisting the cost would fall on foreign countries, not American consumers.

### Liberation Day — April 2025

Sweeping global tariffs were implemented through the International Emergency Economic Powers Act (IEEPA). The administration characterized chronic trade deficits as a national emergency, justifying immediate executive action.

### Legal Action — September 2025

The case *Learning Resources, Inc. v. Trump* was opened, considered one of the most important in the country's history in the area of trade policy and executive authority.

### Court Ruling — February 2026

The Supreme Court declared IEEPA-imposed tariffs unlawful. Chief Justice John Roberts stated that when Congress grants the power to impose tariffs, it does so clearly and with careful constraints.

## The Current Snapshot — Latest Developments as of March 16, 2026

- A new 10% global import tariff under Section 122 of the Trade Act of 1974 is currently in effect, with authority to rise to 15%.
- At least 1,800 companies have filed lawsuits in the U.S. Court of International Trade seeking tariff refunds.
- U.S. Customs and Border Protection is developing an automated tariff refund process that could be operational within 45 days.

## **Initial Market Reaction to Tariff Implementation**

### **Key Takeaway**

Despite the shock of Liberation Day extremes, subsequent pauses, extensions, and negotiations contributed to the second fastest bear market recovery since the 1950s.

### **The Big Picture**

Investors increasingly recognized tariffs as a policy variable within an existing macro cycle, rather than interpreting them as a standalone economic regime shift. The S&P 500 recovered to a level of +5.50%, having touched a low of -15.28% during the period of peak volatility.

## **Did Tariffs Change the Macro Trend?**

### **Key Takeaway**

Regardless of the market's aggressive trade actions, inflation and manufacturing activity largely followed pre-existing macro trajectories.

### **The Big Picture**

Tariffs influenced investor sentiment, but inflation trends remained primarily driven by broader macro forces, including wage growth and monetary policy, while manufacturing activity continued responding to global demand cycles. The U.S. Manufacturing PMI reached 52.60, and the Core PCE Price Index stood at 3.00%.

## **What Clients Hear vs. What Markets Price**

### **Key Takeaway**

Clients often interpret legal rulings as immediate economic changes. Markets instead ask whether corporate margins, supply chains, or pricing power materially change.

### **The Big Picture**

A ruling that alters implementation timing can still produce volatility without meaningfully changing long-term growth expectations. The S&P 500 forward earnings-per-share estimate stood at 81.38 at the close of the analyzed period.

## The \$165 Billion Question

### Key Takeaway

The central uncertainty now surrounds the status of funds already collected under IEEPA-imposed tariffs and how potential repayment structures could affect fiscal balances, businesses, and consumers. The pathway for any refunds will shape how those impacts filter through the broader economy.

**"My sense is that it could be dragged out for weeks, months, years." — Treasury Secretary Scott Bessent, on refunds**

Cumulative IEEPA tariff revenues reached \$164.70 billion, with a monthly average of \$13.19 billion.

## Examining the Historical Context

### Key Takeaway

In the average year, there are more than three market corrections of more than 5%. Despite the severity or reason, markets have recovered and pushed higher every single time.

### The Big Picture

You may not know when the next period of volatility will arrive or what will cause it, but history suggests it eventually will. An advisor's value is not in predicting the next shock but in helping clients maintain perspective and stay disciplined when it occurs. Since 2020, the S&P 500 Total Return has accumulated a gain of 132.2%, with an annualized return of 14.63%.

## Staying Invested Is Part of the Investment Plan

### Key Takeaway

Periods of policy uncertainty test investor behavior, and those who moved to cash during peak tariff volatility missed a historically rapid return to new highs.

### The Big Picture

Investors who react to fear often underperform those who stick to a disciplined plan. Staying invested through policy shocks has proven to be quantifiably valuable in the long term.

- S&P 500 Total Return (stayed invested throughout): 94.98%
- S&P 500 with cash between 4/8/2025 and 5/8/2025: 71.99%
- S&P 500 with cash since 4/8/2025: 44.02%

## Big Picture

- Tariffs have been part of market cycles for decades, and long-term investors who stayed the course were rewarded for their patience.
- Since Trump's first tariff proposals in 2016, the S&P 500 has delivered annualized returns of more than 12.5%.
- Volatility is part of investing. But historically, those who remained invested emerged stronger on the other side.

## Key U.S. Economic Data (As of March 17, 2026)

The following macroeconomic indicators reflect the current state of the U.S. economy:

- **PCE Inflation (Est.): 2.83%**
- **Core PCE (Est.): 3.06%**
- **Core CPI (Est.): 2.50%**
- **CPI YoY (Est.): 2.40%**
- **GDPNow 1Q26 (Est.): 2.70%**
- **Unemployment Rate: 4.40%**
- **Manufacturing PMI: 52.40**
- **Index of Consumer Sentiment: 55.50**
- **Labor Force Participation Rate: 62.00%**

The latest GDPNow forecast for the First Quarter of 2026, reported on March 13, holds at 2.70%, unchanged from the prior reading. The initial forecast for February 20 was 3.10%.

## Puerto Rico Economic Update

### Economic Growth: Perspectives 2006–2027

***Important Note: Puerto Rico's economic growth projections are asymmetric. The estimates from the Planning Board and those from the Financial Oversight and Management Board (FOMB) differ significantly, reflecting distinct assumptions about the pace of recovery, investment, and the impact of external factors.***

Puerto Rico has undergone a remarkable economic transformation, moving from years of sustained contraction to a period of recovery and moderate growth. Birling Capital's projections for 2025–2027 suggest moderate but positive growth: +1.20% in 2025, +0.40% in 2026, and +0.30% in 2027.

## Financial Oversight and Management Board (FOMB) Projections — 2024–2028

In contrast, the FOMB projects a more conservative outlook: growth of 1.00% for 2024, a contraction of -0.80% for 2025, a slight recovery to 0.10% in 2026, followed by 1.00% in 2027 and 0.60% in 2028. This divergence between both projections underscores the asymmetric nature of the analysis and the importance of considering multiple scenarios when evaluating the Island's economic prospects.

## Economic Activity Index: Shift Toward Growth

The Economic Activity Index showed a consistent recovery trend, with contraction moderation throughout the third quarter before transitioning into positive territory in October, and strengthening to +1.10% by year-end, marking a clear shift toward expansion.

## Robust Labor Market

Puerto Rico's unemployment rate held steady at 5.70% in December 2025, reflecting the sustained strength of the local labor market. In historical perspective, the unemployment rate fell from 14.40% in 2014 to 5.65% in 2025, representing a 61.38% reduction.

## Puerto Rico, USA — Manufacturing Sector Firing on All Cylinders

### Puerto Rico GDP by Sector — 2024–2025

Puerto Rico's economy in 2024 and year-to-date 2025 continues to be anchored by manufacturing, which represents 46.3% of GDP, led by the pharmaceutical and medical device industries. The finance, insurance, and real estate sector follows with 20.9%, services with 13.2%, and commerce and retail trade with 9.6%.

Overall, Puerto Rico remains manufacturing-driven, yet increasingly diversified across finance, services, and innovation, positioning the Island as the most advanced and resilient economy in the Caribbean.

### Investment Momentum and the Trump Tariff Advantage

Puerto Rico attracted a total of \$2.06 billion in new and expanded investments from February through October 2025 — the largest wave of industrial capital since the 1990s. Major commitments include:

- **Eli Lilly: \$1,200 million**
- **Amgen: \$650 million**
- **Millicent Pharma: \$45.5 million**
- **ABB Arcibo: \$35.5 million**
- **Master Paints: \$21.6 million**
- **Integra Life Sciences: \$17.0 million**

The imposition of a 10% universal import tariff — alongside higher rates on Chinese industrial goods — has accelerated the reallocation of production toward U.S. jurisdictions, reinforcing domestic manufacturing competitiveness.

Puerto Rico, with tariff-free access to the U.S. mainland and an established high-value manufacturing base, is well positioned to capture a meaningful share of this shift. Maintaining this policy momentum is critical, as Puerto Rico has the potential to meaningfully expand industrial output by 2030 and contribute more than \$1.5 billion in incremental annual GDP.

### **Puerto Rico Manufacturing PMI — November 2025**

Puerto Rico's Manufacturing PMI has demonstrated greater volatility but stronger upside momentum relative to the U.S. benchmark. Puerto Rico frequently exceeds the expansion threshold of 50, signaling periods of solid industrial growth, while the U.S. PMI has remained largely in contraction territory.

The most recent data indicates a moderation in momentum, with Puerto Rico's PMI easing to 50 in November, signaling a return to the expansion threshold after several months of stronger readings above 55. Despite this normalization, Puerto Rico continues to outperform the mainland's industrial pace.

### **Manufacturing Revival: "Made in Puerto Rico, USA"**

The new national initiative "Made in Puerto Rico, USA" aims to position the Island as a trusted U.S. production hub — offering jurisdictional security, economic flexibility, and proximity to both North and Latin America.

Success will depend on:

- Incentivizing reshoring from higher-cost foreign jurisdictions.
- Developing logistics and supply-chain hubs that integrate manufacturing, packaging, and distribution.
- Lowering energy costs through renewables and efficiency programs.
- Aligning workforce training with advanced manufacturing needs.

## **Financial Markets Overview**

### **Key Stock Market Index Performance — Year-to-Date as of March 16, 2026**

Major stock market indices have shown mixed performance year-to-date, with mainland markets in negative territory against the relative resilience of Puerto Rican assets:

- **Dow Jones Industrial Average: -2.05%**
- **S&P 500: -1.80%**
- **Nasdaq Composite: -3.35%**

- **Birling Capital Puerto Rico Stock Index: +0.73%**
- **Birling Capital U.S. Bank Index: -11.87%**

The Birling Capital Puerto Rico Stock Index stands out as the only index with positive performance year-to-date, reflecting the relative resilience of Puerto Rico's economy amid global uncertainty.

## **Birling Capital Advisors — Institutional Overview**

Birling Capital is a leading corporate advisory and consulting firm that offers broad corporate finance and advisory services to institutional, government, corporate, middle-market companies, family corporations, and their owners, in identifying and resolving organizational finance-related issues.

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

### **Our Value Proposition**

- Unwavering commitment to client service.
- Unparalleled degree of professionalism and senior-level attention.
- Extraordinary level of industry expertise.

### **Core Services**

Birling Capital offers an integrated approach combining operational and financial expertise to serve clients across the following areas:

- Corporate Financial Planning (CFP)
- Debt Issuance
- Investment Policy Development
- Asset Management
- Mergers & Acquisitions
- Corporate Restructuring & Turnaround
- Economic Consulting & Risk Management
- Infrastructure Financing & Capital Advisory
- Corporate Valuations
- Tax Advisory & Tax Credit Consulting
- Corporate Governance Services

## Sectors Served

Our consulting and advisory practice serves the following sectors:

- Financial institutions and credit unions
- Family businesses and family offices
- Healthcare and pharmaceuticals
- Higher education, hotels, and commercial real estate
- Government
- Manufacturing and industrial operations
- Retail and consumer products
- Media and advertising companies
- Insurance companies
- Technology and FinTech
- Act 60 advisory

## Tax Credits — Notable Achievements

Birling Capital works with all of Puerto Rico's tax credit and tax incentive programs. We have successfully negotiated and monetized more than \$150 million in tax credits per year. Our client roster includes Fortune 500 companies, the Top 400 local businesses, the leading insurance companies, banks, and ultra-high net worth individuals.

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