

ECONOMY

A Revitalization Coordinator
named-at last.



Think Strategically:
Apocryphal & Revitalizing P.R.

FOMB in session

BY FRANCISCO RODRÍGUEZ-CASTRO
frc@birlingcapital.com

Apocryphal: Obamacare survives another day

The rumors of Obamacare’s demise have become “Apocryphal.” Late Thursday night last week, after a series of very intense dramas on the Senate floor, Republicans failed to pass their version of the Healthcare Act, with a vote of 48-51 and Republican Sens. McCain, Murkowski and Collings voting with the Democrats to defeat the bill. There is no comprehensive replacement bill or even a more limited repeal bill that can drive the 50 votes needed from Republicans to pass it in the Senate. The healthcare defeat, although expected, is embarrassing for Republicans. For both the president and the Republican Congress, the lack of political will to keep this seven-year campaign promise is a major defeat. The loss creates serious doubts about whether Republicans can pass a tax reform bill or any other major initiative when Congress returns from recess.

An issue such as providing Healthcare, and with so much at stake, it

should be tackled the old fashion way with bipartisan participation and leadership from both parties seeking consent to address all issues that affect Obamacare. For Congress, in an epoch of party-line separation, it will be easier not to go down this path, even though it is the best course of action.

U.S. economic & market recap

The U.S. economy posted second-quarter numbers that marked a rebound from the previous Q1. Gross domestic product grew at a 1.9% annual pace for the first half of the year, just below the 2.2% expansion rate that was prevalent until the end of 2016. The increase in real GDP in the Q2 reflected positive contributions from personal consumption expenditures (PCE), which account for 70% of the economy, nonresidential fixed investment, exports

and federal government spending that were partly offset by negative contributions from private residential fixed investment, private inventory investment, and state and local government spending. Other figures worth mentioning are the fact that business investment in equipment rose 8.2%, the largest increase in the past two years, which is a sign business is betting on growing demand both locally and from foreign markets. However, the big surprise in Q2 was the reduction in residential investment, which fell the most since 2010; this decline was preceded by substantial gains.

In the broader markets, this past Friday, July 28, the Dow Industrial Average posted a record closing at 21,830.24. In addition, the major U.S. indices saw gains accompanied by a decrease in market volatility, with the S&P 500, Nasdaq and Dow Jones yet again hitting record highs.

P.R. Update: Revitalization coordinator; UPR fiscal plan

The FOMB named Noel Zamot as revitalization coordinator. Zamot, an MIT M.B.A. graduate with more than 25 years’ experience, includes U.S. Space Command at Peterson Air Force Base and Wyle Aerospace Group’s acquisition management division. He founded Corvus Analytics, a cybersecurity firm that delivers cutting-edge security and assured autonomy solutions. Zamot’s role is identifying, coordinating and accelerating the execution of critical infrastructure projects in Puerto Rico through Title V of Promesa, which allows for fast-paced implementation of permits and procedural obstacles.

Our fiscal crisis brings about renewed importance in public-private partnerships. Facing capital and budget constraints, we must continue to invest in infrastructure, privatize any and all entities that the private sector can manage better and allow our economy to grow and reduce the size and focus of government. For this task, he must work hand in hand with the Public-Private Partnerships Authority and Fiscal Agency & Financial Advisory Authority.

UPR: Fiscal plan to be approved

The FOMB is expected to approve University of Puerto Rico’s budget this week. This transitional budget calls for a reduction in expenses of \$163 million and a reduction in general fund transfers of \$203 million. Another milestone approved by the board is an increase in the cost per credit from \$56 to \$115 for undergraduate and \$140 to \$270 for graduate studies, with these changes to begin in 2018.

Final word: 2nd Promesa Conference Oct. 5

The P.R. Chamber of Commerce announced this past week that it would celebrate the 2nd Promesa Conference Oct. 5. The conference is a key initiative to educate both the business sector and public about the diverse actions occurring in Puerto Rico regarding Promesa and present the challenges and opportunities.

Francisco Rodríguez-Castro, president & CEO of Birling Capital, has over 25 years of experience working with government, multinational and public companies.

IPO Calendar (Trade Date Estimate: Week of July 31, 2017)

Company	Ticker	Deal Size
Venator Materials	VNTR	\$477 million
Clementia Pharmaceuticals	CMTA	\$100 million