

ECONOMY

Job-growth gains;
Fed cuts rates

THINK STRATEGICALLY:

1,000 Words for Puerto Rico's Growth

World Bank: Not One Caribbean Economy in Top 50 for Ease of Doing Business

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World Bank: Puerto Rico ranks 65 and is sinking

We note that the World Bank's highly respected and much-anticipated "Doing Business 2020" study shows most developing economies have been making strides to rise in the ranks and reduce the gap between developed economies in the area of the ease of doing business.

However large the strides, the gaps remain wide in developing countries, and that includes Puerto Rico because our ranking continues to suffer from the inaction of all local constituents, including the government, agencies, Legislature and private sector.

For Puerto Rico, improving our ranking represents a huge opportunity to be able to attract a vast array of businesses to the island while allowing their organic growth to flourish and develop expansive amounts of wealth, instead of greater poverty.

"Doing Business" highlights countries' improvements, with the nations advancing most focused on:

- Starting a business;

- Dealing with construction permits;
- Trading across borders;
- Widespread use of electronic systems; and
- Online access and platforms to comply with requirements.

The Top 10 countries

1. New Zealand
2. Singapore
3. Hong Kong SAR, China
4. Denmark
5. Korea, Rep.
6. United States
7. Georgia
8. United Kingdom
9. Norway
10. Sweden

65. Puerto Rico
The reports further found that Latin America and the Caribbean, including Puerto Rico, lag in terms of reform development and implementation, and impact. Not one single economy from this region appeared on the top-10 improvers list over the past two years. Moreover, not a single economy in Latin America or the Caribbean, including

Puerto Rico, ranks among the top 50 for its ease of doing business.

As citizens, we must unite to develop a plan to address these issues because they are central factors in improving our economic well-being and developing a sustainable economy that fires on all cylinders. As a way to address these matters, we must assemble a group of private-sector executives to improve our poor ease-of-doing-business rankings.

The private sector should lead the way with the single goal being to increase Puerto Rico's ranking within three years to the top 30 in Ease of Doing Business.

Access "Doing Business 2020" at www.doingbusiness.org.

Interest rates, job and GDP growth impact markets

As the week and month wound up, several economic developments pushed the markets to new highs, beginning with:

U.S. economic benchmarks

• **Interest rates:** The Federal Reserve announced its third interest-rate cut of 2019, reducing rates by 25 basis points, and stated that it has finished the rate reductions for the time being.

• **Economic growth:** The U.S. Bureau of Economic Analysis announced that the real gross domestic product (GDP) increased to 1.9 percent in the third quarter of 2019 (3Q19). The increase reflected rising consumer and government spending, housing investment, and exports.

• **Jobs growth:** The U.S. Bureau of Labor Statistics reported that total

nonfarm payroll employment rose by 128,000 in October, with notable job gains in food service, bars and financial services. In manufacturing, employment fell short due to strikes.

• **Unemployment rate:** The unemployment remained at 3.6 percent.

• **Labor force:** The participation rate was 63.3 percent in October.

As may be noted, the United States has advanced in its efforts to maintain the economy, creating jobs and further decreasing unemployment. It raises the level of confidence we must all have toward our economic future.

Week in markets: U.S. stocks reach record highs; better jobs growth

The U.S. stock market rose to record highs following better-than-expected job growth; the Fed announced reduced rates and economic growth of 1.9 percent in 3Q19.

The Dow Jones Industrial Average (DJIA) closed at 27,347.36 for a gain of 389.30 points, or 1.44 percent, and a year-to-date (YTD) return of 17.20 percent. In addition, the S&P 500 closed the week at 3,066.91, for a gain of 44.36, or 1.47 percent, and a YTD return of 22.30 percent. The Nasdaq closed the week at 8,386.40 for an increase of 143.30, or 1.74 percent, and a YTD return of 26.40 percent.

The Birling Capital PRSI closed the week at 1,598.21, for a loss of 3.95, or 0.25 percent, over the previous week, and a YTD return of 15.53 percent. Meanwhile, the U.S. Treasury's 10-year note dropped during the week, closing at 1.71 percent, or an increase of 5 percent, with a YTD return of minus-1 percent. The U.S. Treasury's 2-year note decreased during the week to 1.55 percent, a decline of 4.32 percent for the week and a YTD return of minus-1.06 percent.

Another factor that has played a significant part in the recent market increases is the trade war between the United States and China, which appears to show signs of abatement.

Lastly, corporate earnings continue to show strong growth with more than 80 percent of the firms reporting 3Q earnings that beat analysts' estimates.

One of the critical issues that the economic results are telling us is that the economy has a secure grip on growth and widely beats most analyst expectations.

Investors are advised to keep their portfolios with the correct mix of equities and fixed income to counterbalance market volatility. Note that risks increase when reaching later stages of the bull market.

Final word: 1,000 Words for Puerto Rico's growth

On this occasion, "Think Strategically" is 1,000 words for Puerto Rico's growth. This column has measured the government administration since the mandate began 32 months ago. No one can dispute that the governor has inherited a Puerto Rico that is bankrupt, with a cabinet in shambles, a Financial Oversight & Management Board to deal with, an economy in retraction and without access to capital markets. Notable improvements can be seen in:

• **Real-term growth rates:** At 1.70 percent, this growth rate is 136 percent more than what was reported in January 2017 when the current administration began.

• **Unemployment rate:** Sinking to 7.60 percent, the current unemployment rate is the lowest in decades and, when compared with 11.70 percent in January 2017, it is 35.04 percent less.

• **Labor-force participation rate:** It stands at 40.80 percent; compared to less than 38 percent in 2017 following Hurricane Maria.

• **Homeownership rate:** At 63.90 percent, a 1.59 percent increase since January 2017.

• **Median household income:** Now at \$20,078, or an increase of 6.65 percent since January 2017.

• **Birling PRSI:** Closed October at 1,598.21, compared to January 2017, or a 42 percent increase.

• **Sales of bags of cement:** Sales increased to 1,019,700 bags, compared to January 2017, or a 20.15 percent increase.

• **General fund revenue:** Reported to be \$11.3 billion, or a 21.51 percent increase compared to January 2017.

Puerto Rico has all the tools needed to realize its potential, grow our economy and, at the same time, break its cycle of fiscal imprudence. Change starts with a thousand words for Puerto Rico's growth.

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Weekly Market Close Comparison	11/1/2019	10/25/2019	Change	YTD
Dow Jones Industrial Average	27,347.36	26,958.06	1.44%	17.20%
Standard & Poor's 500	3,066.91	3,022.55	1.47%	22.30%
Nasdaq	8,386.40	8,243.12	1.74%	26.40%
Birling Puerto Rico Stock Index	1,598.21	1,602.16	-0.25%	15.53%
U.S. Treasury 10-Year Note	1.71%	1.80%	-5.00%	-1.000%
U.S. Treasury 2-Year Note	1.55%	1.62%	-4.32%	-1.060%