

ECONOMY

Signs of caution
brewing in economy

THINK STRATEGICALLY:

The Fearlessness of Perseverance

Puerto Rico Must Achieve Certain Goals to Transform Economy;
U.S. Jobs Growth, Unemployment at 50-Year Low

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Puerto Rico's 2020 Economic Outlook

One of the true testaments that Hurricane Maria left us is the fact that Puerto Ricans have the "Fearlessness of Perseverance," and as 2019 draws to a close, we all must focus on the new decade that begins with the year ahead. Puerto Rico, with all its troubles, has shown we have the Fearlessness of Perseverance in everything we do. We endure the challenges and continue to attempt new ways to revamp Puerto Rico's economy. The 2020 Economic Outlook will be summarized with the numbers being analyzed at Birling Capital. Being Puerto Rico, one of the few places in the world where initiatives, rather than results, are celebrated, we must implement a series

of goals that go beyond any party, ideology or government, and that our objectives are what the entire island can accept, respect and pursue. These causes must be aggressive enough to transform Puerto Rico.

1. Puerto Rico 2020 Economic Outlook (See chart)
2. Unemployment at 9 percent shows a decrease of 23 percent in the past 35 months.
3. With the labor force at 1.08 million people, the participation rate rose to 40.5 percent.
4. The 2019 GNP growth rate of 1.7 percent was a 136 percent increase.
5. Implement a set of supranational goals, seven objectives that are achievable if appropriate processes

Puerto Rico 2020 Economic Outlook

	2020	2021
Gross National Product (GNP)	1.9%	2%
Construction	24.9%	29.6%
Exports	2.1%	1.9%
Imports	2.9%	3.3%

are put in place:

- Transform Puerto Rico through robust economic development and sustained 4 percent growth over the next two years;
- Achieve an industrial structure in which employment related to the production of knowledge is no less than 25 percent for a 10-year period;
- Create 300,000 new jobs in the private sector in the next six years;
- Increase the labor-force participation rate to 55 percent;
- Reduce the unemployment rate to 5 percent in six years;
- Reduce government apparatus by transferring to the private sector any corporation, operation or service the sector can run more efficiently.
- Transform the entire educational system into one focused on entrepreneurship, trades and transformation.

Stateside unemployment at 50-year low

The U.S. Bureau of Labor Statistics

Weekly Market Close Comparison	12/6/19	11/29/19	Change	YTD
Dow Jones Industrial Average	28,015.06	28,051.41	-0.13%	20.1%
Standard & Poor's 500	3,145.91	3,140.98	0.16%	25.5%
Nasdaq	8,656.53	8,665.47	-0.1%	30.5%
Birling Puerto Rico Stock Index	1,620.71	1,645.05	-1.48%	17.16%
U.S. Treasury 10-Year Note	1.84%	1.77%	3.95%	-0.84%
U.S. Treasury 2-Year Note	1.61%	1.6%	0.62%	-0.86%

reported nonfarm payroll employment rose by 266,000 jobs in November, and the unemployment rate was little changed at 3.5 percent.

This job growth is a 42 percent increase from the 187,000 expected, or 79,000 additional jobs, a significant improvement.

Growth was seen in healthcare, professional and technical services and manufacturing. Both the unemployment rate, at 3.5 percent, and the number of unemployed people, at 5.8 million, reflect little change.

Week in markets: Job growth insufficient to drive markets

The U.S. stock market ended the week with mixed results even as the U.S. economy added 266,000 jobs in November.

With the duration of the current expansion, which is by far the longest since 1945, investors still have time to enter the market, and the current cycle still has room to grow.

This reality, combined with a seven-month high in consumer sentiment, provides further evidence the U.S. economy is finishing the year on solid footing. This situation is a big contrast with 2018's year-end market losses, which propelled most stocks into bear market territory.

December 2019 began with a strong showing that the current bull market can continue well into 2020, with the economy on solid footing, increased job growth and more than 80 percent of the public companies reporting better-than-expected earnings. However, investors must understand that volatility and risks remain a large part of the equation.

The Dow Jones Industrial Average closed the week at 28,015.06, for a loss of 36.35 for the week, or 0.13 percent, and a year-to-date (YTD) return of 20.1 percent. In addition, the S&P 500 closed the week at 3,145.91, for a gain of 4.92, or 0.16 percent, and a YTD return of 25.5 percent. The Nasdaq closed the week at 8,656.53, for a loss of 8.94, or 0.1 percent, and a YTD return of 30.5 percent. The Birling Capital Puerto Rico Stock Index closed the week at 1,620.71,

losing 24.34, or 1.48 percent over the previous week, and a YTD return of 17.16 percent. Meanwhile, the U.S. Treasury's 10-year note rose for the week, closing at 1.84 percent, a 3.95 percent increase and YTD return of minus-0.84 percent. The U.S. Treasury's two-year note rose during the week to 1.61 percent, gaining 0.62 percent for the week, and a YTD return of minus-0.86 percent.

Signs of extreme caution

1. Contraction of U.S. manufacturing: The Institute for Supply Management Index (ISM) stumbled further into contraction territory for the fourth-straight month to a near decade-low level.

2. Slowing of jobs growth: If the labor market falls below the 100,000 new-jobs mark, that would be a significant sign of trouble because it would not be enough growth to allow new laborers into the market.

3. More than one market correction a big warning: One key to investing is to manage risks, volatility and uncertainty with a well-diversified portfolio of stocks, bonds and other instruments. Achieving a balanced portfolio helps one stay focused on long-term investment goals, rather than on the short-term negative news.

Final word: Kennedy's parallelism to Puerto Rico's supranational goals

Every Nov. 22, for the past 56 years, we have honored the memory of President John F. Kennedy.

In 1962, he spoke to all U.S. citizens with a sense of purpose and charm that no one had heard before. His ambition to make not just the United States better, but the entire world, was the framework of his speech, in which he said: "Let the world go forth...that the torch has been passed to a new generation of Americans."

This was an exciting time, and not too different from our current times and challenges. All we need to transform is spelled out, as well as our unity of purpose, our way of life, our kindred spirit, our education and our future.

These supranational goals are a set of challenges that would transform Puerto Rico. They sum up what would be required of Puerto Ricans to achieve the economic and social transformation that everyone deserves.

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