

# ECONOMY

Who is to blame for  
Puerto Rico's deterioration?

THINK STRATEGICALLY:

## We Belong to a Nation...

We Need to Stop Contributing to its Degradation

BY FRANCISCO RODRÍGUEZ-CASTRO | frc@birlingcapital.com



**W**e have been in an economic contraction for 14 years now, and our prospects do not look very encouraging. Despite having used numerous financial instruments plus billions in bond issuances, which according to the politicians, we are unable to pay, nothing has managed to reactivate Puerto Rico's economy, and the efforts have not yielded the anticipated results.

A recurring theme in the analysis of Puerto Rico's economy has been its poor performance for at least 27 years. During that period, the economy had an annual growth of around 2 percent, a figure that is well below the rates achieved by our competitors and peers.

We have been sharing the blame for the island's problems for a long time. Whether it is the government, unions or the private sector's fault, we all have our opinion, but nobody assumes the blame or, worse yet, takes action to change it.

The deterioration of Puerto Rico in the aftermath of Hurricane Maria, then the earthquakes and now the Covid-19 pandemic includes the closure of thousands of businesses and the elimination of more than 300,000 jobs, some temporarily and others permanently.

It is evident, however, that the problem is not solely the politicians, unions or the private sector; the problem is us. Yes, us, the 3.2 million Puerto Ricans on the island.

- We belong to a nation where newspapers will never be sold like in other countries because we cannot pay for just one and leave the others there.

- We belong to a nation where people feel like they are succeeding if they steal water, electricity and cable.

- We belong to a nation where the successful man or entrepreneur is humiliated, and the drug kingpin is celebrated.

- We belong to a nation where those who work hard and make money are looked at in envy and called "colmillú."

- We belong to a nation where everything is "Ay bendito."

- We belong to a nation where after 7 p.m., we are terrified to use an ATM machine.

- We belong to a nation where if you turn on your turn signal to pass, others accelerate, preventing you from doing so.

- We belong to a nation where unemployment benefits fraud has become a pastime for all social classes.

- We belong to a nation where a significant part of the population does not wear a mask and behaves with a

senseless perception of privilege.

- We belong to a nation where the deterioration of our values is seen in the lack of honesty, and where injustice, intolerance, irresponsibility and selfishness rule the day.

- We belong to a nation where initiatives, instead of results, are celebrated.

- We belong to a nation where reading and studying are not encouraged or rewarded.

- We belong to a nation where consumerism rather than saving money is encouraged.

- We belong to a nation where the legislature works little, talks too much, earns money like top executives, and has become a focus of corruption.

- We belong to a nation where the environment is not protected, where garbage is thrown out on the beaches, creating clandestine dumps; where people discard trash in the streets, clogging drains, and then we criticize the government for not cleaning them.

- We belong to a nation where the right of way is for cars not pedestrians.

- We belong to a nation where elderly people and pregnant women are not offered a seat in mass transit and even in offices.

- We belong to a nation where the common good is often ignored for the individual benefit.

- We belong to a nation where we are full of faults, but we prefer to criticize the governors and politicians instead of looking at ourselves.

- We belong to a nation where our best professionals are outmigrating.

- We belong to a nation where ethics and morals are scarce.

These actions must STOP NOW.

The time has come to refuse to follow the existing paths and open up new ones.

Thus, it is imperative to create a permanent dialogue to unite Puerto Rico in search of the common good, in search of prosperity, in search of solutions—offering peace to the people and instilling a sense of loyalty to the island.

We invite you all to look for those responsible because Puerto Rico is in the saddest shape in its history. It is in an

economic and moral collapse, and we demand and require they change their behaviors, and we are sure that this afternoon we will find "them" when we look at ourselves in the mirror.

We all will be there, it will not be necessary to look elsewhere, and we will demand that "they" help us make Puerto Rico better.

### Key economic indicators reported last week:

U.S. Retail Sales rose 0.11 percent, compared to 0.53 percent last month, much lower than expected.

U.S. Business Sales rose to \$1.441 trillion, up from \$1.396 trillion last month, a change of 3.21 percent from the previous month.

U.S. Business Inventories rose to 0.10 percent, compared to minus-1.08 percent last month.

The U.S. Department of Labor reported that Initial unemployment claims dropped to 860,000 last week, a decrease of 3.7 percent; however, job growth is slowing.

U.S. Housing Starts fell last month 5.09 percent, compared to 17.94 percent the previous month.

Another factor that will soon impact the economy is that most U.S. airlines' CEOs will be forced to furlough hundreds of thousands of workers by October. Without an extension of the Coronavirus Aid, Relief and Economic Security (Cares) Act payroll support program. In early March 2020, the transportation sector had 512,000 workers but has lost north of 132,000 jobs; the airlines are urging Congress to act.

### Results for the week ending September 18, 2020,

The Dow Jones Industrial Average closed at 27,657.42, down 8.02 points, or 0.03 percent.

The Standard & Poor's 500 closed at 3,319.47, down 21.50 points, or 0.64 percent.

The Nasdaq Composite Index closed at 10,793.28, down 60.26 points, or 0.56 percent.

The Birling Puerto Rico Stock Index closed at 1,572.03, up 60.34 points, or 3.99 percent.

The U.S. Treasury 10-year note closed at 0.7 percent, up 4.48 percent.

The U.S. Treasury 2-year note closed at 0.14 percent, up 7.69 percent.

### The Final Word: Watching the Fall

As summer ends and the country enters fall, with its foliage, back-to-school, weather changes and flu season. Amid

pandemic times, the seasonal changes may represent significant health risks that may impact the economic recovery, forcing new lockdowns, and with the flu season, we are in a potential "twindemic" that will impact the fourth quarter.

The pandemic and the potential of new shutdowns are in constant competition with the nascent economic recovery. Take for example the tourism, travel and leisure industry, which has taken the hardest economic hit. What for me was a simple business trip to New York, became a grueling experience of navigating new rules and regulations, and calling more than 10 hotels to only find a room in the 11th one called. Most restaurants are closed and only those able to offer outside seating are able to open and offer services in a limited manner. In numbers, New York said goodbye to 65 million visitors and 403,000 jobs, with the travel and tourism industry accounting for \$7 billion in state and local taxes, including \$4.9 billion for the city.

Finally, with the general election just a month and change away, most of the ad campaigns will grab the headlines and with them the attention of most of the country. The presidential election between Trump and Biden: In terms of their style and approach, the contenders could not be different; however, even as most polls show Trump trailing, we must point out that these same polls had Hilary Clinton ahead in 2016. Also, we must understand the way the electoral college works and how it may impact the final results of the election. In our view, Biden must win by a landslide for the election to not be contested.

In Puerto Rico, we had the first debate between the six candidates for governor and to say that it was a spectacle does not begin to describe the event.

Most citizens would have liked to see a debate that presented the most pressing issues in Puerto Rico, with candidates offering their best solutions to a large number of issues.

However the debate became a rambling act of attacks, meandering ideas, outlandish solutions and the reporters themselves asked charged questions that were impossible to answer in the given time.

So we will have to witness another debate that is as if we entered the Twilight Zone.

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