



# Think Strategically: The Government Progress Index measures Governor Pierluisi's First Three Years in Office.

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## The Government Progress Index measures Governor Pierluisi's performance after three years in office.

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### Unbiased and irrefutable benchmarking to measure Government Progress

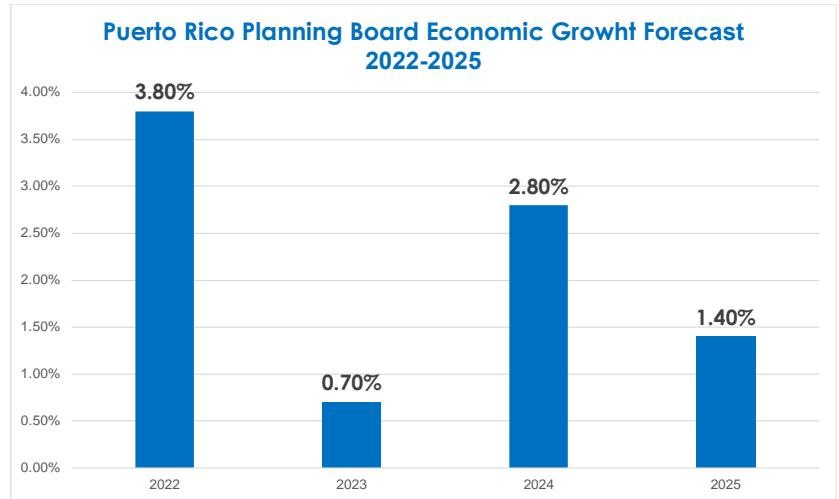
The Government Progress Index evaluates three years of Governor Pierluisi's tenure. The Index is a set of metrics developed by Birling Capital that assesses the performance of Puerto Rico's economy and other variables to measure the progress of government management.

The Government Progress Index assigns scores to the different measured variables, and its maximum collective score is 40 points. When Governor Pierluisi took office on January 2, 2021, the Government Progress Index scored 13.2 points out of a possible 40 points. The Index sets the path for the Government and the citizenry to understand and recognize success by evaluating critical economic metrics that allow for an unbiased assessment.

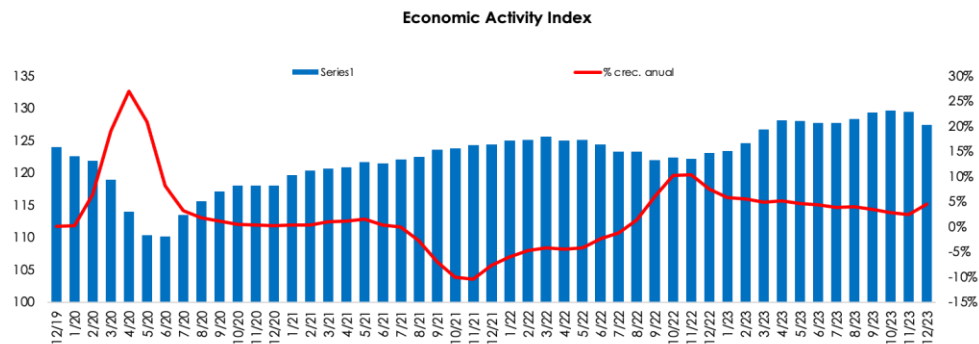
### Let's review the benchmarks:

- **Price per liter of gasoline:** One of the segments that is out of the government's control is the price of energy, gasoline, and its derivatives. Still, we measure it because it is one of the parameters affecting the consumer's pocket. With their sentiment, the price in January 2024 was at \$0.81 per liter. When comparing the price of \$0.69 per liter in January 2021, we note an increase of 16.96%, affecting multiple industries and consumers. Russia's invasion of Ukraine and the Israel and Hamas war is impacting the oil and gas market and raised the West Texas Intermediate barometer; on January 2, 2024, it was at \$70.62, and compared to January 2, 2021, it stood at \$52.00, up 35.80%, at the worst time it rose to \$89.43 in September 2023, impacting all consumers.

- Economic progress:** The Puerto Rico Planning Board increased its economic growth projection to 2.80% GDP from 1.80%, and during the Governor's term, the average economic growth has been 2.43% GDP, the highest rate in the last 15 years. This demonstrates that economic activity continues to increase.

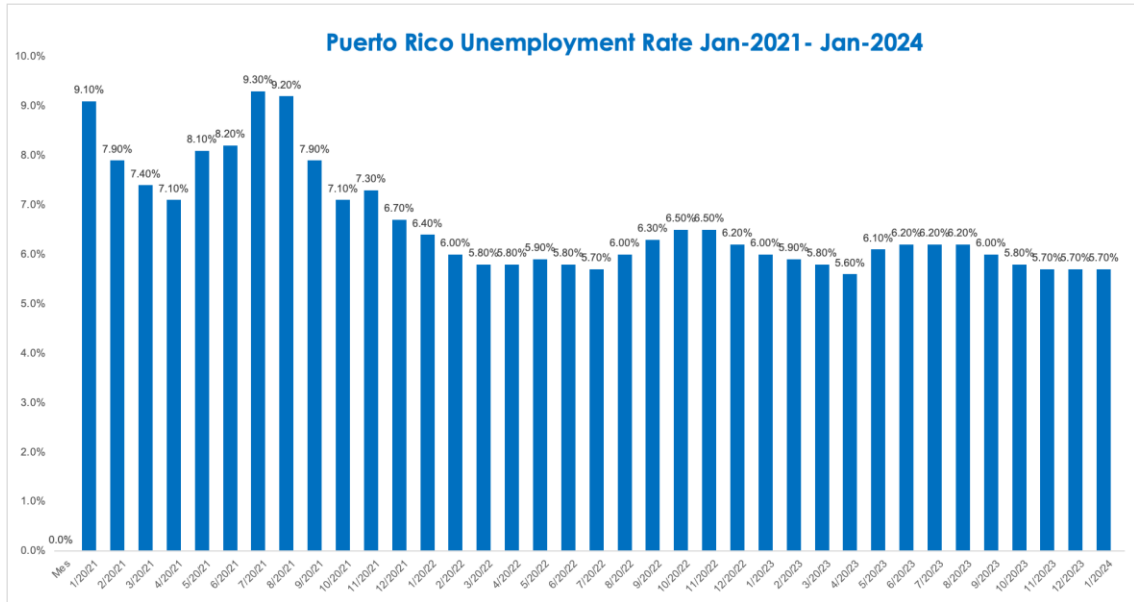


- Economic Activity Index:** the economic activity index increased in January 2024 to 3.40% when compared to January 2021, where a -3.20% index was recorded; this represents a 194.12% increase since Governor Pierluisi began his term, and we continue with the forecast of continued economic growth in Puerto Rico.



Source: Banco de Desarrollo Económico de Puerto Rico.

- Sales of Bags of Cement Pace Up:** The sales of bags of cement increased in January 2024 to 1,189,000 from 1,063,000 in January 2021, an increase of 11.85%. This translates into a double-digit increase in the Construction Sector and the much-anticipated rebound.
- Unemployment and Labor participation Rates:** the unemployment rate fell to 5.70% in January 2024 a reduction of 38.71% when compared to January 2021 where a 9.30% unemployment was recorded, in addition, the labor participation rate increased by 12.28% during the same period, increasing 44.80% in January 2024 from 39.90% in January 2021 %. Non-farm payrolls in Puerto Rico increased to 1,147,000 jobs compared to January 2021 with 930,000 salaried jobs, an unprecedented increase of 23.33%.



- **Homeownership rate:** Another key benchmark worth noting was the increase in the homeownership rate to 63.95% in January 2024, an increase of 5.01% from the January 2021 figure of 60.90%.
- **Puerto Rico's Manufacturing PMI:** down in January 2024 to 49.90 from 52.40 in January 2021, a material reduction of 5.73% over the last three years, which is news that raises concerns for the Manufacturing Sector as its supports north of 45% of Puerto Rico's GDP.
- **Crime Type 1:** In January 2024, 19,505 Type 1 Crimes were recorded for the entire year, an increase of 7.14% compared to January 2021, where 18,206 Type 1 Crimes were recorded.
- **Auto Sales in Puerto Rico:** In January 2024, 128,188 sales were registered (January 2023-December 2023) versus 129,147 for January 2021, a decrease of 0.74%.
- **Puerto Rico's publicly traded companies outperform Wall Street benchmarks:** which includes the four publicly traded Puerto Rican companies, increased substantially in January 2024 to 3,325.21, an increase of 66.18%, when compared to the January 2021 figure of 2,001.21, reflecting the strength and resilience of our three major banks and Evertec. On the other hand, performance between January 2021 and January 2024 reached 66.18%, outperforming the Dow Jones at 23.23%, the S&P 500 at 26.27%, the Nasdaq at 14.57% and the Birling Capital U.S. Bank Index at 41.75%. Individual stocks almost all posted positive returns over the same period from January 2021 to January 2024, ranked by yield:
  - **Oriental (OFG)** achieved a return between January 2021 to January 2024 of **102.20%**.
  - **Firstbank (FBP)** achieved a yield between January 2021 and January 2024 of **78.48%**.
  - **Popular, Inc. (BPOP)** achieved a yield between January 2021 and January 2024 of **45.72%**.
  - **Evertec (EVTC)** achieved a yield between January 2021 and January 2024 of **4.12%**.
  - **Birling PR Stock Index** achieved a yield between January 2021 and January 2024 of **67.08%**.

From January 2021 to January 2024, Puerto Rico's public companies remained in a solid position, demonstrating resilience in the face of challenges that affected the confidence of other banks in the United States and other nations. Despite this challenging environment, they managed to maintain outstanding performance in several key aspects.

Total Assets reached an impressive \$101.012 trillion, reflecting a solid financial base and efficient resource management. This robustness was further reflected in net income, which reached a remarkable \$1.026 trillion, highlighting the sector's ability to generate consistent earnings.

In addition, the consolidated Market Capitalization of the four Puerto Rican public companies reached \$13.127 billion, underscoring investor and market confidence in their long-term performance and potential.

### Governor Pierluisi Charts Course to Economic Growth in Puerto Rico

The Unbiased Government Progress Index and its benchmarks show steady and sustained economic progress during the first three years on office. As seen in our discussion and as you will note in the following economic benchmarks, Governor Pierluisi continues to steadily steer Puerto Rico's economic course towards growth, development, and improvement in many areas, a strategy demonstrated in these unbiased metrics. This progress is by no means the job is done, but the path of economic progress is more than evident.

As seen in the following economic benchmarks, Governor Pierluisi continues to steadily steer Puerto Rico's economic course towards growth, development, and improvement in many areas, a strategy demonstrated in these unbiased metrics. This progress by no means the job is done, but the path of economic progress is more than apparent with **a three-year performance and a Government Progress Index of 30.4 in January 2024, an increase of 130.30% in three years.**



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### Popular, Firstbank, Oriental, Evertec & Birling PR Stock Index Returns from 1/21- 1/24



Below is the Government Progress Index comparison from January 2021 versus January 2024 and we note an improvement of 130.30%; let's review the specific benchmarks:

<b>Governor Pedro Pierluisi</b>			
<b>Metrics for Puerto Rico</b>	<b>Jan-2-2024</b>	<b>Jan-2-2021</b>	<b>Change</b>
Price per liter of gasoline	\$0.81	\$0.69	16.96%
Puerto Rico Manufacturing-PMI	49.40	52.40	-5.73%
Sales of Bags of Cement	1,189,000	1,063,000	11.85%
Auto Sales	128,188	129,147	-0.74%
Crime Stats Type 1	19,505	18,206	7.14%
Unemployment	5.70%	9.30%	-38.71%
Average GNP Growth Rate	2.43%	-4.40%	281.07%
Economic Activity Index	3.40%	-3.20%	194.12%
Labor-force participation rate	44.80%	39.90%	12.28%
Home ownership rate	63.95%	60.90%	5.01%
Median household income	\$20,230	\$20,078	0.76%
PR Stock Index	3,325.21	2,001.21	66.16%
National debt	\$34 Billion	\$69 Billion	50.72%
Credit Ratings	D	D	Default
Access to markets	Limited Access	No Access	In progress
<b>Government Progress Index</b>	<b>30.4</b>	<b>13.2</b>	<b>130.30%</b>

In our analysis, Governor Pierluisi's critical advances are as follows:

- **Implementation of Puerto Rico's Plan of Debt Adjustment:** this allowed Puerto Rico to reduce its debt from \$70 billion to \$34 billion, a discount of 50.72%. In addition, a reduction of the annual debt payment from \$3.9 billion to \$1.15 billion per year. The Plan saves Puerto Rico 70.50% in annual debt payments.
- **The government's Non-Political response to COVID-19:** focusing on vaccination without politicizing the process is one of the administration's greatest successes. Taking control of the COVID-19 pandemic and relaxing measures when warranted and tightening them when necessary.
- **Implementing the Earned Income Tax Credit (EITC)-** \$612 million in annual funding for ten years (\$6,500 per worker earning less than \$44,000 annually).
- **Implementing the Child Tax Credit (CTC):** \$1.5 billion (\$3,600 per child aged six and under and \$3,000 per taxpayer aged six to 17).
- **Granting the permanent increase in the Nutrition Assistance Program (NAP):** The NAP has now increased by \$463.8 million, and the transition to SNAP is being worked on.
- **Puerto Rico Firm on Washington's agenda:** Reconstruction and other federal funds now total \$98.6 billion, enough to rebuild all of Puerto Rico's critical infrastructure and lead Puerto Rico into a future of significant progress. These are just two of the key issues that the Government must deal with to create parity.

- **Nutritional Assistance:** Puerto Rico does not benefit from the SNAP program, which provides food assistance to low-income families in the United States. Snap in the United States is funded through a structure known as entitlement, which allows the program to serve all eligible individuals who apply. This flexibility enables SNAP to expand or contract to meet greater or lesser need periods.  
Puerto Rico receives a block grant with fixed federal funds to finance the Nutrition Assistance Program (PAN). This grant limits the amount of assistance PAN can provide and cannot be expanded or contracted to meet periods of greater or lesser needs.  
48% of Puerto Rico residents receive federal nutrition assistance through the food stamp program. With north of 58% of the Islands City's median household income below the poverty level, many more could benefit.
- **Healthcare Discrimination:** The disparity in healthcare funding between Puerto Rico and the mainland United States is stark and unjust. While each U.S. citizen receives \$13,000 annually for healthcare, Puerto Ricans are allocated a mere \$4,000 per capita, creating a staggering shortfall of \$9,000 per person each year. This glaring discrepancy means that Puerto Rico should rightfully receive \$29.9 billion annually in healthcare funding, equivalent to what the 50 states receive.

**On the negative side, most experts agree that most of the Governor's challenge has been impacted by two fronts:**

The positions of the Fiscal Oversight and Management Board (FOMB) and the shared governance with the leadership of both the Senate and the House of Representatives, here are some observations.

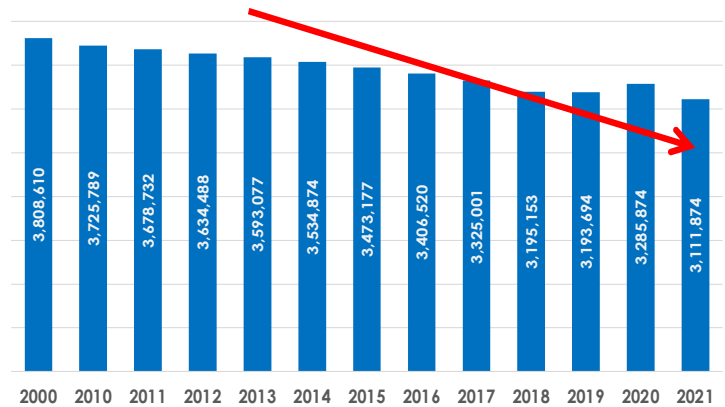
- **Lack of a consensus on tax matters:** the lack of establishing a holistic system that alleviates the government's public policy on all tax matters and the country's economic reality may lead to more significant inflationary pressure.
- **The elimination of the Foreign Tax or Law 154:** On December 29, 2021, the U.S. Treasury issued crucial guidance, extending the application deadline for new foreign tax credit regulations affecting Act 154's excise tax by one year, until January 1, 2023. This decision ensures that multinational corporations continue to credit Act 154 excise taxes against their U.S. income tax liabilities throughout 2022. However, beyond this period, parent corporations of Controlled Foreign Corporations (CFCs) paying Act 154 could lose a significant tax advantage associated with their presence in Puerto Rico.  
Responding to this impending change, Act 52 was swiftly enacted into law and signed by the Governor on June 30, 2022. This legislation establishes a framework for companies to voluntarily transition from the Act 154 excise tax to a new tax regime, focusing on industrial development income and royalties. Under this Act, the tax rate is set at 10.5%, with a provision for it to increase to 15% should the U.S. enact a 15% or higher minimum tax.  
While the Inflation Reduction Act introduced a 15% alternative minimum tax on adjusted financial statement income for specific corporations.
- **Risks that will impact the economy include:**
  - High dependence on Federal Reconstruction Funds.
  - The high levels of inflation affect all consumers, affecting their already tight budgets and impacting all micro and small businesses with high levels of bankruptcies.
  - The 11-interest rate increases by the Federal Reserve Bank, which took the rate from 0.25% to 5.50%, increased the cost of commercial and consumer credit and increased the bankruptcy rates by 43%.

- **The decline in Puerto Rico's population is of great concern.** The mortality rate is now higher than the birth rate. According to the Federal Census Community Survey, the population for projected to be around 3.1 million, which was achieved in 2021.
- **We continue to believe that, from the Governor to all public policy agencies, we must find broad spaces for multiparty work, working as a team with the Legislature, as well as with the Fiscal Oversight and Management Board,** which would help resolve the various areas of crisis affecting Puerto Rico much more quickly. We refuse to think that there are not more issues that unite them than those that separate them; this must be the focus. To seek that consensus that eludes us as a people between the Government, the Board, the Legislature and finally the U.S. Congress.
- **Key issues impacting Puerto Rico's entrepreneurs and their opinion on various local and federal matters:** In examining specific programs offered by the federal government and sentiment toward the local business environment and the general election, the Goldman Sachs/Babson College 10,000 Small Business survey found the following:



## Older and Smaller Puerto Rico Population

2025 was



- **18%** say the federal government does an "excellent" or "good" job of providing hiring assistance and support.
- **29%** say the federal government does an "excellent" or "good" job of helping people access capital.
- **34%** say the federal government does an "excellent" or "good" job of providing technical assistance and business development.
- **50%** say the federal government does an "excellent" or "good" job of providing disaster assistance or relief programs.
- **57%** of SMEs expect to create jobs this year.
- **62%** of all SMEs anticipate an increase in profits before the end of the year.
- **75%** are positive about their financial trajectory in 2024, small business owners remain optimistic.
- **84%** say a candidate's policy positions on small business will be an essential factor in their voting decision.
- **7%** say elected officials keep their promises to SMBs all or most of the time.
- **91%** say they will "definitely vote" in the general election.

### Birling Capital's Government Progress Index is a vital tool for Assessing Government Success and Economic Metrics with unbiased analysis.

Birling Capital's Government Progress Index shows that during the month of January 2024 the Governor was able to increase the Gubernatorial Progress Index to 30.40 points an improvement of 130.30%, when comparing the Government Progress Index, the Governor inherited of 13.2 points in January 2021

Birling Capital's Government Progress Index serves as a compass, guiding government officials and citizens alike to recognize and comprehend success through evaluating critical economic metrics, ensuring an

impartial assessment. Benchmarking, an integral aspect of governance, is pivotal in enhancing program oversight and accountability, optimizing service efficiency and effectiveness, and discerning what strategies yield results and which falter. It furnishes decision-makers with invaluable insights crucial for navigating complex policy dilemmas.

In closing, while opinions often lack accountability and understanding, Birling Capital asserts that empathy is the pinnacle of knowledge. Empathy demands that we transcend our perspectives and immerse ourselves in the experiences of others, fostering a deeper understanding and a greater sense of purpose beyond self-interest.

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