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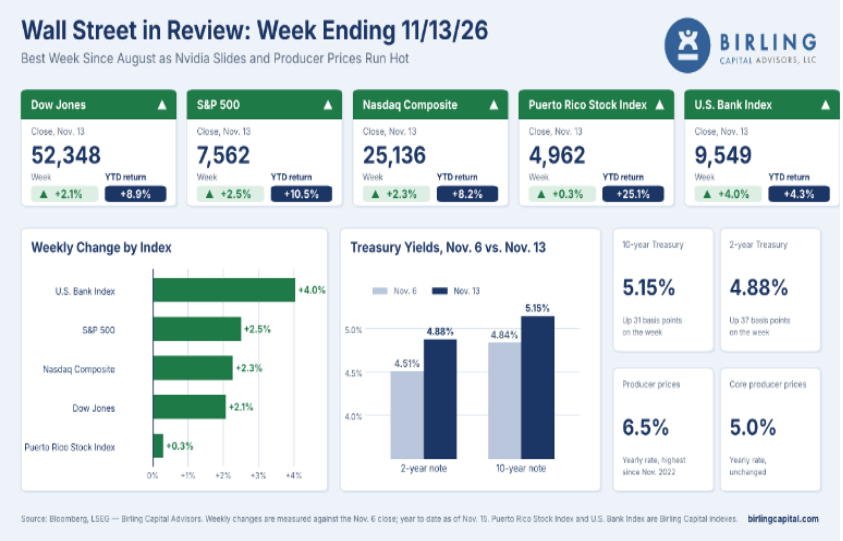
Two successful sovereignties and a Puerto Rico with aspirations but lagging behind

November 16, 2026

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Puerto Rico started at the same level as Ireland and Singapore in 1985. 41 years on, the two are well ahead by $577 billion and $535 billion, respectively

The Week in Wall Street ending November 13, 2026



Wall Street closed the week out with its best performance since August, after a rather shaky Friday. The Dow was up 2.1% to 52,347.55, the S&P 500 up 2.5% to 7,561.67, and the Nasdaq up 2.3% to 25,136.27. A complete turnaround from the week before, when all three were in the red. Friday was fairly soft, with the Dow up just 0.1%, the S&P 500 down 0.4%, and the Nasdaq down 0.9%.

The Birling Capital U.S. Bank Index was up 4.0% to 9,548.68 for the week (down 1.3% the week before). The Birling Capital Puerto Rico Stock Index was up 0.3% to 4,962.50 (up 1.6% the previous week). You wouldn't read much into one week, really. The point of the last column was that the banks on the island are rewarded for rates, credit quality, and capital returned to shareholders rather than for local growth. They trade on the rate outlook rather than the local economy.

Year to date, the Birling Capital Puerto Rico Stock Index is way ahead of everything we track at 25.15%. The S&P 500 is up 10.46%, the Dow 8.91%, and the Nasdaq 8.15%. The Birling Capital U.S. Bank Index is well behind at 4.32% (even after this week's 4.0% gain). Puerto Rico's stocks have outperformed the S&P 500 by about 14.7 points, which is consistent with the rate-driven story above.

The bond market took the other side of the equity rally. The 10yr yield rose 31bps to 5.15% (from 4.84%), and the 2yr rose 37bps to 4.88% (from 4.51%). The spread between them narrowed to 27bps from 33 bps, so the curve flattened as the short end moved up faster. A lot of that is due to producer prices. The MoM rise in October was 0.3% (vs 0.4% expected), but the YoY rate shot up to 6.5% (from 6.3%), the highest since Nov 2022, and the core rate was flat at 5.0%. Markets now fully price a hike in December and have

increased their probability of three hikes in 2027 (up from two). We think the Fed is more likely to go one step at a time given the cooling of both housing and wage inflation and the fact that tighter financial conditions are already suppressing demand.

Nvidia was the story of the sector. Shares were down 2% on Friday after a 4% fall on Thursday following the departure of founder and CEO Jensen Huang. CFO Colette Kress is interim CEO as the board looks for a successor. The damage was kept in check as gains in other companies offset the decline, a good illustration of how quickly the market can rotate. Nvidia reports next week. The question for investors has now changed from 'is there AI demand?' to 'what does it cost to deliver that growth?' (i.e. capital expenditure, financing requirements and the time it takes to get the investment back). We think AI infrastructure spend can remain a growth engine, even at a more modest rate, and that the next group of winners may well be non-tech companies using AI. The whole thing also reminds us how much a handful of mega caps can contribute to the market's return.

The message of the week is that the rally is genuine but conditional. All the negatives that have been building up (higher borrowing costs, a December hike fully priced in, a leadership change at the sector's big name) all came in the same week as the best gains since August. We'd stay in, widen our exposure beyond the AI leaders, and keep a close eye on Nvidia's results and the next inflation data.

Puerto Rico, Ireland and Singapore, 1985 to 2026

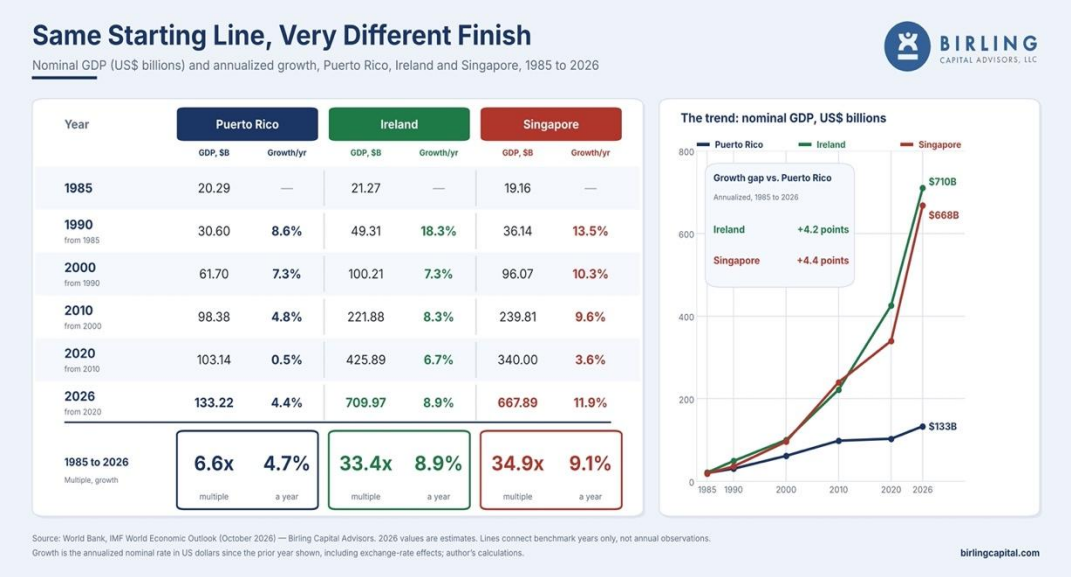
How often do we hear that Puerto Rico can be the next Singapore, or can beat Ireland at manufacturing and biotech? If you've never been to either of those countries, you'd quite reasonably believe it. If you look a bit more closely, though, our current economic model, our entire system of governance, and our general attitude make it seem impossible that Puerto Rico could ever reach that level of growth, per capita income, and standard of living.

The starting line is what makes the claim so tempting. In 1985, each economy produced about $20 billion a year. GDP per person was $6,008 in Puerto Rico, $7,002 in Singapore, and $5,692 in Ireland (1984). By 2026, estimates put Ireland at $710 billion and Singapore at $668 billion. Puerto Rico is at $133 billion. Ireland and Singapore multiplied their economies by about 34, while Puerto Rico multiplied its economy by a paltry 6.6 times.

Ireland's economy grew by about $112 billion in one year (from $609.2 billion in 2024 to $721.7 billion in 2025), compared with Puerto Rico, which grew by about $113 billion over 41 years. Part of Ireland's growth is a statistical mirage: pharma exports were pulled forward due to US tariffs, and the Irish stats guys subsequently reduced the 2025 growth figure from 12.3% to 8.0%. That is why this comparison has to be handled with care, as GDP, GNP and GNI* all tell a different story on the three islands. The $710 billion for 2026 in the tables is the IMF's estimate, a different source from the $721.7 billion above, so the two are not directly comparable.

The numbers at a glance

The chart summarizes the whole story at a glance. The table shows each economy's nominal GDP at the benchmark years (1985, 1990, 2000, 2010, 2020 and 2026), the annual growth rate between them, and the line chart shows how the paths diverged. All three started from around $20 billion. By 2026, Ireland and Singapore are over five times the size of Puerto Rico, and that gap results from 4.2 to 4.4 points of slower annual growth over the 41 years.



Growth since 1985 in six steps

The three economies started at the 1985 level and ran together for a while. From 1985 to 1990, Puerto Rico grew 8.6% a year in dollars, Ireland grew 18.3%, and Singapore 13.5%. Some of Ireland's growth is attributable to a weak dollar and some of Singapore's to a recovery from its 1985 recession. Puerto Rico was already behind, but the gap was still just a matter of degree.
The 1990s were the last decade in which Puerto Rico was keeping up. It was on par with Ireland at 7.3%, and Singapore was ahead at 10.3%. After 2000, the divergence became apparent. From 2000 to 2010,

Puerto Rico was at 4.8% per year, Ireland at 8.3%, and Singapore at 9.6%. That was the decade in which the last of the Section 936 credit ended, and the island entered a recession in 2006.

From 2010 to 2020, Puerto Rico nearly stopped. It grew 0.5% a year, while Ireland grew 6.7% and Singapore 3.6%, and even Singapore's slower decade was about seven times Puerto Rico's pace. From 2020 to 2026, we recovered to 4.4%, but Ireland ran at 8.9% and Singapore at 11.9%, so the gap widened again.
Over the full 41 years, Puerto Rico grew at 4.7% a year, Ireland at 8.9% and Singapore at 9.1%. The gap is only 4.2pp against Ireland and 4.4pp against Singapore. That's the difference between an economy growing 6.6 times over the period and one growing 34 times.

Ireland: the jobs miracle, the bust and the measurement problem

1. **1985 to 1993: the false dawn.** The economy contracted by 0.43% in 1986, grew by 4.66% in 1987 and 8.47% in 1990. Jobs had hovered around 1.1 million since independence, and mass emigration was the Irish story. The turn came with the 1987 social partnership agreement.
2. **1994 to 2000: the real Tiger.** Real GDP per head grew 5.6% a year from 1987 to 2007, and Irish per capita GDP actually passed that of the UK for the first time in 1997. Tax was one of several factors. The 12.5% rate was not fully in place until 2003; the upturn actually started in 1987. Wage restraint, education, and access to the EU market were all as important.

3. **2001 to 2013: bubble and bailout.** After euro membership led to interest rate cuts, a property bubble ensued.
   - A €440 billion blanket bank guarantee was in place in September 2008.
   - GDP fell 3% in 2008 and 7% in 2009.
   - Some 300,000 people (one in seven) lost their jobs by the end of 2010, and unemployment reached over 15% in 2011.
   - An €85 billion EU-IMF package followed, and Ireland exited it on 15 December 2013.
4. **2014 to 2025: the multinational super-cycle.** The 2015 GDP figure was revised from 7.8% to 26.3% after Apple reorganized its Irish operations (employment rose only 2.6%). Ireland introduced a modified GNI (GNI*) in 2017. Current figures are GDP at €602.4 billion and GNI at €334.0 billion (55.4% of GDP).
   - The multinationals accounted for over 50% of gross value added in 2025.
   - Pharma exports were €139 billion (53% of goods exports, 41% of GNI*), with over 60% going to the US.
   - The top 10 companies paid 56% of the net corporate tax, and the share of the top three payers increased from 32% in 2017 to 46% in 2024.
   - Employment hit a record 2.84 million in Q2 2026 (some 2.6 times the pre-Tiger level). Unemployment was 5.1%.
   - The headline is a bit of a wobble: Q1 2026 GDP was down 7.0% while modified domestic demand was up 0.3%.

Singapore: a hard recession, a fast correction and a savings state

1. **1965 to 1984, the base.** GDP per person was about $500 in 1965 (on a level with Mexico and South Africa). Real GDP grew an average of 12.7% a year from 1965 to 1973.
2. **1985 to 1990: shock and rebound.** Nominal GDP dropped from $19.75 billion in 1984 to $18.59 billion in 1986 and then rocketed to $36.14 billion by 1990, i.e., a 94% rebound. The recession was essentially domestic, driven by rising costs and very high CPF contribution rates. The government reduced the employer CPF contribution by about 15 pp; the unions were happy with the cost-cutting, and we were back again in two years.
3. **1990 to 2025: the services pivot and the reserves.** GNI per person (Atlas) goes from $11,450 in 1990 to $54,920 in 2020, and life expectancy goes from 75 to 83. Real GDP fell 1.1% in 2001 and 5.4% in 2020, and reserves did the work. The government drew $4.9 billion in 2009 (first draw) and over $40 billion during the pandemic—Temasek dates to 1974, and GIC to 1981.
4. **2025 snapshot:**
   - Nominal GDP was S$789.5 billion and real GDP grew 5.0%.
   - GNI per person is approximately 83% of GDP per person.
   - Unemployment was 2.0%, but only 2.456 million of the 4.069 million in the labor force are residents, so around 40% of the workforce are non-residents.
   - Foreign reserves were at $426 billion in June 2026, and 2026 growth is expected to be between 1.0% and 3.0%.

Puerto Rico: output without income

1. **1985 to 1996: the Section 936 period.** Section 936 started in 1976, and by 1985, Section 936 funds accounted for 42% of deposits in Puerto Rican banks. Between 1980 and 2000, the mainland's GNP rose by 90%, while ours rose by only 60%. Unemployment in 2000 was 11.0%.
2. **1996 to 2006, the unwinding continued.** Congress phased it out 936 over the ten years, and it was fully repealed in 2006. Manufacturing employment fell from 157,700 to 109,800. How much of the

subsequent collapse in manufacturing employment is attributable to 936 is disputed by economists. The fiscal response is not in any doubt, though: the debt rose from $17.6 billion in 1996 to almost $40 billion in 2006 and $74 billion in 2016.

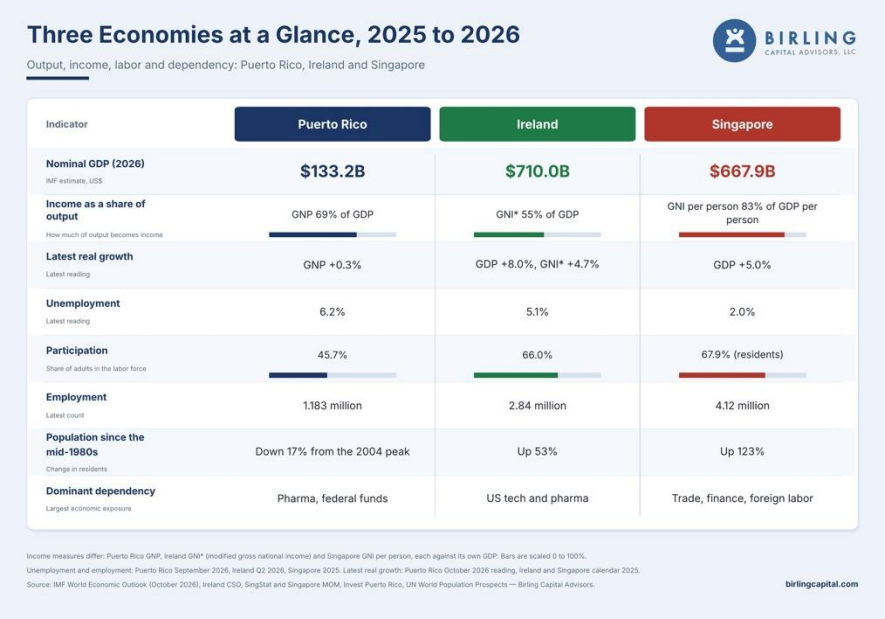
3. **2006 to 2020: the lost years.**
    - Nominal GDP only rose by 18% over the 14 years, from $87.28 billion in 2006 to $103.14 billion in 2020.
    - Unemployment hit 16.1% in 2010, and the labor force was down 24% from 2007 to 2019.
    - Population peaked in 2004 at 3,826,878 and had declined to 3,184,835 by 2025.
    - Women having a birth in the prior year dropped from around 55,200 in 2005 to 19,600 in 2024.

4. **2016 to 2022: Crisis and restructuring.** Puerto Rico began defaulting on its debt in 2016, and PROMESA created an oversight board. In 2017, it filed the largest municipal bankruptcy in US history. Hurricane Maria resulted in an estimated 2,982 deaths and $90 billion in damage. The restructuring reduced the claims from $33 billion to just over $7.4 billion, and the government exited bankruptcy in March 2022. The reconstruction was very slow, with $63 billion allocated and $18 billion spent as of the 2021 figure.

5. **Puerto Rico: the 2025 snapshot**
    - **Output and income.** According to Invest Puerto Rico, 2025 GDP was $113.4 billion and GNP $77.9 billion, so GNP is about 69% of GDP. GDP per capita was $35,400. The IMF's 2026 GDP estimate is $133.2 billion.
    - **Trade.** Invest Puerto Rico reports exports valued at $59.8 billion and imports at $51.5 billion, a surplus of $8.3 billion.
    - **Structure.** Manufacturing is 46.3% of GDP. Within manufacturing exports, pharmaceuticals and medicines account for 76.98%, medical devices 8.83%, electrical equipment and appliances 2.83%, computers and electronics 2.17%, food, beverages and tobacco 2.11%, basic chemicals 1.81%, and others 5.26%. Pharma and medical devices together are about 86% of manufacturing exports.
    - **Labor market, September 2026.** Employment is 1,183,000, unemployment is 6.2%, and participation is 45.7%.
    - **Growth outlook.** Official forecasts are for 0.4% growth in fiscal 2026 and 0.3% in fiscal 2027.
    - **The distortion.** Puerto Rico's GDP swings with exports of intellectual-property-intensive products, particularly pharmaceuticals. That is the same distortion Ireland faces, on a smaller scale.

Side by side, 2025 to 2026

The chart outlines how far Puerto Rico has fallen behind Ireland and Singapore. Both are more than five times our size, with 2026 GDP of $710.0 billion and $667.9 billion against our $133.2 billion, and both are growing faster. The gap shows in how much output stays as income (69% of GDP in Puerto Rico), in jobs (45.7% participation against 66.0% and 67.9%), and in people: our population is down 17% from its 2004 peak, while theirs is up 53% and 123% since the mid-1980s.



Why Puerto Rico cannot get there from here

The gap: The point isn't about effort or talent. Ireland and Singapore are two sovereign states that built domestic institutions around global capital. Puerto Rico's growth was achieved through a tax code, and when that lease ended, we lost jobs, people, and access to credit. Those are my judgments on the constraints.

1. **The model: output without income.** Nearly a third of what we produce never becomes island income, because GNP is only 69% of GDP. Our largest sector, manufacturing, is 46% of GDP but employs only 9% of workers. A model that grows production but not paychecks cannot lift a population in which 40.5% live below the US federal poverty level.
2. **The governance structure: who has the levers?** Ireland sets its own tax policy. Singapore controls its currency, its reserves, and its labor rules. Puerto Rico is entirely dependent on federal tax law, federal funds, and an oversight board for its major levers. A territory can't just copy a strategy it doesn't have the authority to run.

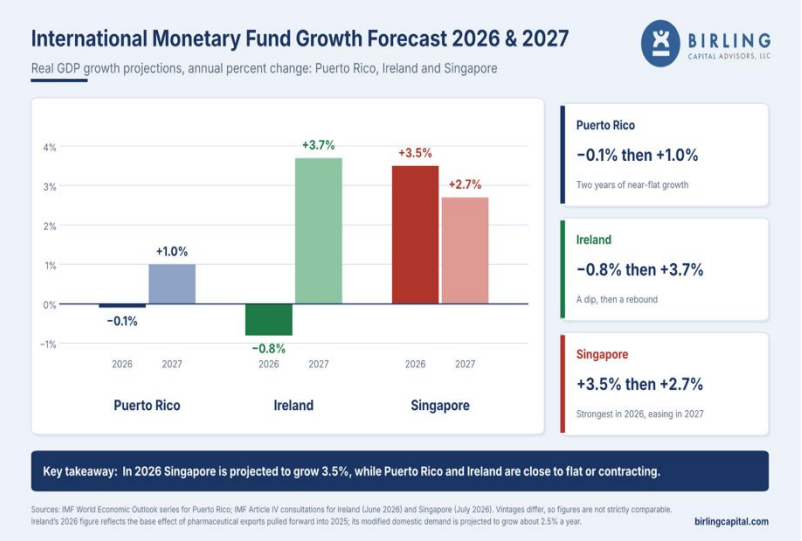
    - **Thoughts on sovereignty**: **My friend, entrepreneur, and Historian Dr. Ángel Collado Schwarz made this argument in his wonderful book "Soberanías Exitosas,"** now in its fourth edition, and presented it at the Bankers Club in Hato Rey in 2009. He studied six small sovereigns: Singapore, Slovenia, Ireland, Israel, New Zealand and Estonia. For each, he reviewed what the country achieved and, in Israel's case, the serious contradictions that came with it. From those cases, he concluded that Puerto Rico has been institutionally frozen since the 1950s. In his view, the island needs sovereign powers to negotiate its own trade, set its own migration policy, turn assistance into employment, and respond to a global crisis like the one of 2008 and 2009.
    - The six cases are different, and that is what makes them useful. Singapore, independent since 1965, went from about $500 a person to one of the richest economies in the world by building a state that saves, bargains over wages, and corrects its mistakes quickly. Ireland, independent since 1922, used its own tax policy and its place in the European market to turn emigration into a jobs boom. Slovenia left Yugoslavia in 1991, joined the European Union in 2004, and was the first of that enlargement to adopt the euro in 2007, with only about two million people and an export economy in manufacturing and pharmaceuticals. Israel, founded in 1948, ended its runaway inflation with a stabilization plan in 1985 and built a technology economy, but its model carries the contradictions

the book flags. New Zealand opened its farm economy after 1984, floated its currency in 1985 and, in 1989, became the first country to anchor its central bank to an inflation target. Estonia restored its independence in 1991, issued its own currency in 1992, adopted a flat tax in 1994, joined the euro in 2011, and built a digital state from scratch.

- None of the six is large, and none was handed a blueprint. What they share is the authority to decide how to trade, whom to admit, how to tax, and how to respond when a crisis arrives, and Puerto Rico holds none of those powers. The data since then support his diagnosis. Two of the six, Ireland and Singapore, multiplied their economies about 34 times between 1985 and 2026, and ours grew 6.6 times.

3. **The broader attitude: how we treat a crisis.** Singapore treated 1985 as a national emergency and cut costs in two years with unions at the table. Ireland, after its bank guarantee, took five years and a bailout. After 2006, we spent a decade borrowing against a recovery that never came. The deeper problem is a habit of waiting for the next federal incentive instead of building capacity that outlasts one.
4. **Demographics compound all three.** Fewer workers and an older population make every other problem harder.
5. **The counterpoint.** The strongest case against this thesis is that Ireland's 12.5% rate and Singapore's reserves are choices, and a territory could partly replicate them through a federal tax incentive such as a Section 936 successor, with reforms to permitting and energy. Growth also need not match theirs to be transformative. Even doubling our per-person growth rate would reshape the island.
   - The weaknesses are real on all sides. Ireland has concentration risk, since three companies pay 46% of corporate tax. Singapore's growth outlook is 1.0% to 3.0%, and it relies on a large non-resident workforce.

The Final Word: Two sovereigns won, and Puerto Rico Forgot How to Execute



In 1985, three economies stood on the same $20 billion starting line. Forty-one years later, Ireland is $577 billion ahead of us, and Singapore is $535 billion ahead. It was not a talent gap, and it was not a gap in ideas. Puerto Rico has never lacked plans, studies, task forces, or slogans. It lacked execution. Ireland and Singapore decided what mattered, set their own taxes, wages, and rules, built reserves, and corrected course within a few years when something broke. We wrote the plan, changed the administration, and started over. We grew 4.7% a year while they grew 8.9% and 9.1%, and that four-point gap compounded into a 6.6-fold economy against a 34-fold one. Along the way, we kept only 69 cents of every dollar we produced as income, and we watched 17% of our people leave since 2004.

The International Monetary Fund sees no change coming. It projects Puerto Rico at −0.1% in 2026 and 1.0% in 2027, against 3.5% and 2.7% for Singapore, and −0.8% and 3.7% for Ireland, where the 2026 dip reflects pharmaceutical exports pulled forward into 2025. Even a bad year for Ireland ends in a rebound, and ours ends in stagnation.

Two successful sovereignties and a Puerto Rico with aspirations but lagging behind

Execution is not a mystery. **Larry Bossidy and Ram Charan made the point in *Execution: The Discipline of Getting Things Done*:** execution is not the detail that follows strategy; it is the discipline that makes strategy real, and it is the job of leaders, not of someone down the line. For Puerto Rico, that means a model that turns output into income, a governance structure that holds real levers, and an attitude that rewards results over announcements. Until those three change together, the multiples will keep diverging, and the next Singapore will remain a slogan.

Culture, Vision, and Execution eat plans and strategy for breakfast.

End of argument.

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