



Reviewing 2024: The 8 Transformative Stories That Shaped the Global, U.S., and Puerto Rico Economies

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The 8 Transformative Stories that shaped the World Economies

As we close the chapter on 2024, it's essential to reflect on the 8 pivotal stories that defined this transformative year. From economic resilience amid geopolitical tensions to groundbreaking infrastructure projects in Puerto Rico, these narratives shaped the trajectory of economies worldwide.

1. The Fed's Inflation Fight and Interest Rate Pivot Campaign

On March 16, 2022, the Federal Reserve Bank began its delayed response to combat rising inflation by increasing rates 11 times over the following two years. Initially, Fed Chairman Jerome Powell maintained that "higher inflation is temporary" and stated the Fed would be "patient" as inflation rose. This outlook proved incorrect as, by March 2022, the Consumer Price Index (CPI) had surged to 8.54%. Then, the Fed began acting, raising rates by 25 basis points.

During 2022 and 2023, the Fed increased rates eleven times, bringing the benchmark rate to the range of 5.25%-5.50%. During the first eight months of 2024, the Fed made a prolonged pause before pivoting to rate cuts on its September meeting with a 50 basis points rate cut, followed by another 25 basis points rate cut in November and a 25 basis points rate cut in the last meeting on December 18, 2024, taking the Fed funds rate to the range of 4.25%-4.50%.

Despite these measures, inflation persisted above the Fed's 2% target; by December 20, 2024, the Federal Reserve's preferred inflation metric, Core Personal Consumption Expenditures (PCE), stood at 2.82% in November, and the PCE rose to 2.44%. Since both figures fell below market expectations, they offer some respite to investors concerned about persistent inflation. We must remind our readers that in July 2022, the PCE stood at 7.12% and the Core PCE at 5.19%, 29 months into the inflation fight; it represents a 65.73% decrease for the PCE and a decrease of 45.66% for the Core PCE. Thus, inflation

Date	Change	Fed Funds Rate
12/18/24	-0.25%	4.25%-4.50%
11/7/24	-0.25%	4.50%-4.75%
9/18/24	-0.50%	4.75%-5.00%
7/31/24	No Change	5.25%-5.50%
6/12/24	No Change	5.25%-5.50%
5/1/24	No Change	5.25%-5.50%
3/20/24	No Change	5.25%-5.50%
1/31/24	No Change	5.25%-5.50%
12/13/23	No Change	5.25%-5.50%
11/1/23	No Change	5.25%-5.50%
9/20/23	No Change	5.25%-5.50%
7/26/23	0.25%	5.25%-5.50%
5/3/23	0.25%	5.00%-5.25%
3/22/23	0.25%	4.75%-5.00%
2/1/23	0.25%	4.50%-4.75%
12/14/22	0.50%	4.25%-4.50%
11/2/22	0.75%	3.75%-4.00%
9/21/22	0.75%	3.00%-3.25%
7/27/22	0.75%	2.25%-2.50%
6/16/22	0.75%	1.50%-1.75%
5/5/22	0.50%	0.75%-1.00%
3/17/22	0.25%	0.25%-0.50%

remains at 18.03% using the PCE or 29.07% using the Core PCE above the 2% inflation target, signaling the need for continued vigilance in monetary policy.

2. Global Economic Resilience Despite Geopolitical Tensions

In the most recent IMF Global Economy forecasts, economic growth is expected to slow from 3.3% in 2023 to 3.2% in 2024 and 3.2% in 2025. These latest economic projections are below historical averages. The US economy is forecasted to grow at 2.80% in 2024 and 2.20% in 2025; the US economy remains strong, growing at 3.10% GDP in the third quarter, and the fourth quarter GDPNow Forecast is at 3.10%. On the other hand, the Eurozone shows a lackluster forecast of 0.80% GDP for 2024 and 1.20% for 2025.

The global economy defied recession fears, growing by 3.2% in 2024, supported by strong performances in emerging markets like India and Brazil. However, the Israel-Hamas conflict and continued tension between the US and China impacted trade and investment flows.

3. AI Revolution Redefines Industries in 2024

Artificial intelligence (AI) solidified its role as a transformative force across industries in 2024, with healthcare, finance, and manufacturing emerging as the most impacted sectors. Breakthroughs in generative AI technologies enhanced productivity and spurred debates on the implications of ethics, equity, and workforce.

- **Healthcare Transformation: A \$200 Billion Opportunity:** AI-powered tools in healthcare grew significantly, with the sector's AI spending estimated at **\$15 billion in 2024**, projected to reach **\$100 billion by 2030**.

Key growth drivers include:

- **Diagnostics:** AI systems achieved accuracy rates exceeding **95%** for early detection of diseases like cancer, outperforming human specialists in speed and precision.
- **Drug Discovery:** Generative AI reduced drug discovery timelines by up to **70%**, saving pharmaceutical companies billions. AI-driven drug development has the potential to generate **\$50 billion in annual savings** by 2030.
- **Operational Efficiency:** Healthcare providers saw a **20-30% increase** in operational efficiency through AI-based scheduling, supply chain management, and electronic medical records optimization.
- **Finance: A New Era of Smart Services:** The sector's AI market, valued at **\$18 billion in 2024**, is expected to grow to **\$90 billion by 2030**. AI-driven innovation is transforming the landscape:
 - **Fraud Detection:** AI reduced fraud losses by **40%**, with institutions leveraging machine learning algorithms.
 - **Wealth Management:** Robo-advisors managed over **\$5 trillion in assets** globally in 2024, a figure projected to grow by **25% annually**.
 - **Customer Engagement:** AI-powered chatbots handled **80%** of customer interactions, improving client satisfaction while saving financial firms billions in labor costs.
- **Manufacturing Evolution:** which contributed over **\$2 trillion to global GDP** in 2024, saw a surge in AI adoption, with annual AI spending expected to grow from **\$10 billion in 2024** to **\$70 billion by 2030**
 - **Predictive Maintenance:** AI minimized downtime, cutting maintenance costs by up to **50%**.
 - **Generative Design:** Companies reported **20-30% faster product development cycles** through AI-augmented design processes.
 - **Cobots:** collaborative robots increased by **60%** globally, significantly improving safety and efficiency on production lines.

The global smart manufacturing market is projected to exceed **\$500 billion by 2030** as companies embrace AI for sustainable growth and resilience.

The AI revolution is poised to redefine industries, contributing an estimated **\$15.7 trillion to the global economy by 2030**.

4. Puerto Rico's Tourism Renaissance

Puerto Rico's Tourism Renaissance: A Vibrant Comeback in 2024

Puerto Rico's tourism industry continued its remarkable resurgence in 2024, marked by robust growth in visitor traffic, high occupancy rates, and targeted investments in eco-tourism and luxury accommodations. Tourism demonstrated its resilience and potential as a cornerstone of the island's economy, contributing significantly to GDP and employment.

Key Metrics and Economic Impact:

- **Occupancy Rates:** Hotels and short-term rentals reported occupancy rates exceeding **80%**, reflecting strong demand for accommodations across Puerto Rico.
- **Passenger Traffic:** The island recorded over **13 million passengers** arriving through its airports in 2024, showcasing a **15% year-over-year increase** in visitor numbers. Cruise ship arrivals also contributed substantially to this growth.
- **Revenue Growth:** The island's luxury hospitality market saw a **20% increase** in average daily rates (ADR), with top-tier resorts commanding rates exceeding **\$300 per night**.
- **Economic Contribution:** Tourism is on route to contribute approximately **9% of Puerto Rico's GDP**, translating to an economic impact of **\$10 billion**.
- **Driving Factors Behind the Boom**
- **Strategic Projects:** Investment in sustainable tourism infrastructure, such as hiking trails, renewable energy-powered resorts, and eco-friendly accommodations, positioned Puerto Rico as a leader in green tourism.
- **Expansion of Luxury Resorts & High-End Accommodations:** New luxury developments, including the Ritz-Carlton Reserve in Dorado Beach, St. Regis Bahia Beach, soon to be a Four Seasons Resort, Fairmont El San Juan Hotel, and dozens of new boutique hotels.
- **Global Recognition:** International marketing campaigns and partnerships with global travel agencies have bolstered Puerto Rico's reputation as a luxury destination.
- **Cultural Experiences:** The Longest Christmas Season in the World ending with Festivals like **La Fiesta de San Sebastián**, culinary tours, and art events have highlighted Puerto Rico's rich cultural heritage.
- **MICE Tourism:** Business tourism has surged, with the Puerto Rico Convention Center hosting over **300 events annually**, attracting global conferences and exhibitions.
- **Employment and Community Benefits:** with Job Creation supporting over **90,000 jobs** in 2024, a **12% increase** from the previous year, spanning hospitality, transportation, and guided tours.
- **Local Involvement:** Initiatives such as **Discover Puerto Rico** and partnerships with local businesses have widely shared tourism benefits among communities.

Puerto Rico's tourism industry is poised for continued growth, with projections indicating 15 million visitors annually by 2026. Strategic investments in sustainability, innovation, and marketing will further solidify the island's position as a premier destination, ensuring that its tourism renaissance delivers lasting economic and social benefits.

5. The Role of Public-Private Partnerships in Puerto Rico's Growth

- **The Power Generation Public Private Partnership to Genera PR:** The award of the contract that transferred the Puerto Rico Electric Power Authority's former power generation operations to

Genera PR, an independently managed subsidiary of New York-based energy company New Fortress Inc. has received a multimillion-dollar, 10-year contract to operate, maintain and decommission power generation units on the island.

Genera receives an annual royalty of \$22.5 million for the first five years, and then the cost will decrease after the fifth year to a minimum of \$5 million annually.

- **Metropistas is operating four additional highways** through a 40-year public contract valued at \$2.85 billion is a win for Puerto Rico. Metropistas is also operating highways PR-52, PR-53, PR-66, the Martínez Nadal or PR-20, and highways PR-22 and PR-18 that it already operated.
 - **San Juan Cruise Port:** Global Ports Holding (GPH), through its subsidiary San Juan Cruise Port LLC (SJCP), began operations at the San Juan Cruise Port in Puerto Rico on February 15, 2024. This followed the financial closing of a public-private partnership (PPP) agreement with the Puerto Rico Ports Authority (PRPA) and the securing of \$187 million in debt financing for the initial phase of the port's redevelopment. The project aims to overhaul and expand nine cruise ship docks in San Juan to accommodate larger vessels and increase passenger capacity, positioning Puerto Rico as the Caribbean's premier cruise destination. Under the terms of the 30-year concession agreement, SJCP will pay PRPA an upfront concession fee of \$77 million and invest approximately \$100 million during the initial phase, focusing on critical infrastructure repairs and upgrades. A second investment phase, contingent upon certain criteria, is planned to further expand the port's capacity.
 - **New State-of-the-art facility will generate 478 megawatts:** Energiza, a consortium of Tropigas de Puerto Rico, Inc., Cratos Project Services PR LLC, Mitsubishi Power Americas Inc., and NAES Corporation, has been awarded the contract to design, develop, finance, construct, install, operate, and maintain a cutting-edge power plant in San Juan, Puerto Rico. This state-of-the-art facility will generate 478 megawatts of energy, significantly bolstering the island's power generation capacity. Initially powered by liquefied natural gas (LNG), the plant is designed with the flexibility to transition to hydrogen fuel in the future, aligning with global efforts to adopt cleaner energy sources. Operations are slated to begin by June 30, 2028, is set for an initial term of 30 years, with an estimated initial energy cost of 11.6 cents per kilowatt-hour. The total investment for the listed public-private partnership (PPP) projects in Puerto Rico amounts to approximately **\$3.83 billion**. This includes the investments and royalties from Genera PR, the Metropistas highway operation contract, the San Juan Cruise Port redevelopment, and the Energiza power plant project.
- 6. The Performance of the Birling Puerto Rico Stock Index and all four Puerto Rico Public Companies:** The double-digit performance of Puerto Rico's three of the four public companies with consolidated revenues as of 3Q24 of \$1,283,333 billion, consolidated net income of \$300,723 million, and consolidated market capitalization of \$14,014 billion has positioned the Birling Puerto Rico for 2024 with a return of 9.77%, marking a significant deceleration compared to the impressive 32.63% return achieved over the same period last year. The Index is composed of key publicly traded companies that reflect Puerto Rico's economic landscape:
- **Popular, Inc. (BPOP):** YTD return of **15.46%**.
 - **OFG Bancorp. (OFG):** YTD return of **15.26%**.
 - **First BanCorp. (FBP):** YTD return of **13.62%**.
 - **Evertec, Inc. (EVTC):** YTD return of **-15.10%**.

Evertec's negative return of -15.10% has acted as a substantial drag on the overall index performance, offsetting some of the substantial gains posted by the financial sector components. Despite this, the Index remains positive, showcasing resilience amid mixed performances across its constituents.

These impressive metrics underscore the market's confidence in Puerto Rico's public companies' resilience, credibility, and growth potential. In an environment where market sentiment plays a key role, the sizable market capitalization is a testament to the companies' influence in Puerto Rico's economic ecosystem.

7. Puerto Rico's Economic Revival

For Puerto Rico, the strength of infrastructure investment is the engine of economic growth. Combined with the \$2.7 billion in debt service savings, the government has ample dry powder to expand, enhance, and improve Puerto Rico's infrastructure.

As Birling Capital had forecasted, the Planning Board's earlier estimates for Puerto Rico's economic growth were too optimistic. As the Economic Activity Index's consistent monthly contractions, reinforcing our view. Birling Capital projects Puerto Rico's GDP growth at **1.50% for 2024** and **1.20% for 2025**, aligning with more tempered expectations.

The Puerto Rico Planning Board (JP) has revised its projections for fiscal year 2025, estimating a 1.2% growth in Gross Product (GDP). This figure reflects a decline of 1.4% percentage points compared to the official forecast published in February.

The Planning Board attributed the adjustment to uncertainties linked to anticipated changes in U.S. economic policies under the incoming administration of President-elect Donald Trump. The Planning Board also revised projections for fiscal year 2024, from 2.8% in February to 2.2% by December.

Federal Fund Disbursements Impact Growth

One factor contributing to the tempered projections was reduced federal fund disbursements for fiscal years 2024 and 2025. The April 2023 Fiscal Plan initially projected \$1,858 million in CDBG disbursements for fiscal year 2024 and \$2,054 million for fiscal year 2025. These estimates were revised downwards in the June 2024 Fiscal Plan to \$1,625 million and \$1,892 million, respectively.

The JP's outlook contrasts with projections from the Fiscal Control Board (FCB), which estimates a 0.8% contraction for fiscal year 2025, and Moody's Analytics, which forecasts a 0.2% decline.

There have been a total of \$119.7 billion of which only 56.86% or \$68.08 billion have been used.

Reconstruction Funds	Assigned Funds	Disbursed Funds	Unused Funds
FEMA Funds	\$ 83,173,943,463	\$ 37,673,128,347	\$ 45,500,815,116
HUD Funds	\$ 20,444,496,230	\$ 3,691,324,071	\$ 16,753,172,159
Cares Act Funds	\$ 2,231,854,854	\$ 2,231,854,854	\$ -
American Rescue Plan	\$ 4,016,359,288	\$ 3,740,040,921	\$ 276,318,367
Other Federal Funds	\$ 9,872,311,832	\$ 4,313,913,721	\$ 5,558,398,111
Total Funds	\$ 119,738,965,667	\$ 51,650,261,914	\$ 68,088,703,753

Summary of The Puerto Rico Planing Board's Key Figures:

- **Fiscal Year 2024:** 2.2% growth (revised from 2.8%).
- **Fiscal Year 2025:** 1.2% growth (revised from 1.4%).



8. The 2025 Outlook: A New Era of Political Execution for Economic Transformation

The 2025 economic outlook reflects an environment of measured recovery, systemic transformation, and emerging opportunities. As the global and local economies navigate these complexities, executing bold and effective policies by incoming leadership will play a pivotal role. Birling Capital's insights remain a strategic guide to fostering growth, resilience, and innovation.

Under the leadership of Incoming President Donald Trump and Incoming Governor Jennifer González, the successful advancement of economic reforms will be critical. Their political agenda must address pressing challenges such as inflation control, supply chain disruptions, infrastructure modernization, and climate resilience while fostering domestic and international economic collaboration.

The stakes are high: failure to deliver on these priorities could lead to prolonged stagnation, missed opportunities, and heightened tensions within and outside our borders. However, with decisive and visionary execution, 2025 could mark the beginning of sustained growth, stronger institutions, and enhanced global stability, paving the way for a transformative future for the US and Puerto Rico.

As we begin 2025, we must remember, Our future depends on the decisions we make today while approaching our opportunities with determination and resolve with a focus on making the enduring transformative changes that both the US and Puerto Rico requires.



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