



## The Government Progress Index Measuring Governor Pierluisi's Four Years in Office

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Francisco Rodríguez-Castro, President & CEO

### Unbiased and irrefutable benchmarking to measure Government Progress

The Government Progress is a set of metrics with a proprietary algorithm 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; its maximum collective score is 40 point. As a prelude before we begin to measure Governor Jennifer Gonzalez's tenure following the first 100 days, we must evaluate Governor Pedro Pierluisi's entire term in office. 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 citizens to understand and recognize success by evaluating critical economic metrics that allow for an unbiased assessment.

Below is the Government Progress Index comparison from January 2021 versus January 2025 and we note an improvement of 100.76%; let's review the specific benchmarks.

#### Governor Pedro Pierluisi

Metrics for Puerto Rico	Jan-2-2025	Jan-2-2021	Change
Price per liter of gasoline	\$0.75	\$0.69	8.99%
Puerto Rico Manufacturing-PMI	35.60	52.40	-32.06%
Sales of Bags of Cement	1,314,500	1,063,000	23.66%
Auto Sales	127,525	129,147	-1.26%
Crime Stats Type 1	19,155	18,206	5.21%
Unemployment	5.40%	9.30%	-41.94%
Average GNP Growth Rate	2.43%	-4.40%	281.07%
Economic Activity Index	-1.20%	-3.20%	62.50%
Labor-force participation rate	45.40%	39.90%	13.78%
Home ownership rate	64.00%	60.90%	5.09%
Median household income	\$25,096	\$20,078	24.99%
Birling Puerto Rico Stock Index	3,598.01	2,001.21	79.79%
National debt	\$34,000,000,000	\$69,000,000,000	50.72%
Credit Ratings	D	D	Default
Access to markets	Limited Access	No Access	In progress
<b>Government Progress Index</b>	<b>26.5</b>	<b>13.2</b>	<b>100.76%</b>

### Let's review each of 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 2025 was at \$0.75 per liter. When comparing the price of \$0.69 per liter in January 2021, we note an increase of 8.99%, 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, 2025, it was at \$73.79, and compared to January 2, 2021, it stood at \$52.00, up 41.90%, at the worst time it rose to \$89.43 in September 2023, impacting all consumers.
- **Economic progress:** The Puerto Rico Planning Board lowered in December its economic growth projection to 2.40% GDP from 2.80%, and during the Governor's term, the average economic growth has been 2.43% GDP, the highest rate in the last 15 years. This impressive performance highlights a sustained upward trend in economic activity, underscoring resilience and progress amid ongoing challenges. The consistent growth rate reflects strategic efforts to strengthen the economy and signals a promising trajectory for Puerto Rico's long-term development.
- **Economic Activity Index:** the economic activity index fell in January 2025 to -1.20% using September 2024 data when compared to January 2021, where a -3.20% index was recorded; this represents a 62.50% increase since Governor Pierluisi began his term, We must mention that the Index had seen phenomenal growth from 2022 until March 2024 when it started to contract.
- **Sales of Bags of Cement:** The sales of bags of cement increased in January 2025 to 1,314,500 from 1,063,000 in January 2021, an increase of 23.66%. This translates into a double-digit growth in the Construction Sector and the much-anticipated rebound.
- **Unemployment and Labor Participation Rates:** the unemployment rate fell to 5.40% in January 2025, a reduction of 41.94% compared to January 2021, when the unemployment was at 9.30%. In addition, the labor participation rate increased by 13.78% during the same period, increasing 45.00% in January 2025 from 39.90% in January 2021 %. Non-farm payrolls in Puerto Rico increased to 1,149,000 jobs compared to January 2021, with 930,000 salaried jobs, an unprecedented increase of 23.54%.
- **Homeownership rate:** Another key benchmark worth noting was the increase in the homeownership rate to 64.00% in January 2025, a rise of 5.09% from the January 2021 figure of 60.90%.
- **Puerto Rico's Manufacturing PMI:** down in January 2025 to 35.00 from 52.40 in January 2021, a material reduction of -32.06% over the last four years. A PMI below 50 is a sign of contraction, and this fact raises concerns for the Manufacturing Sector as it supports north of 45% of Puerto Rico's GDP.
- **Crime Type 1:** In January 2025, Type 1 Crimes were 19,155 for the entire 2024 year, an increase of 5.21% compared to January 2021, where 18,206 Type 1 Crimes were registered.
- **Auto Sales in Puerto Rico:** In January 2025, 127,525 sales were registered (January 2024-December 2024) versus 129,147 for January 2021, a decrease of -1.26%.
- **Birling Capital Puerto Rico Stock Index:** The Puerto Rico's publicly traded companies three recorded double-digit returns for 2024, increasing substantially the Birling Puerto Rico Stock Index as of January 2025 to 3,598.01, an increase of 79.79%, when compared to the January 2021 figure of 2,001.21, reflecting the strength and resilience of our three major banks and Evertec.
- **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 is an excellent demonstration of Puerto Rico's economic fundamentals.
- **The individual stocks performance:** almost all posted positive returns over the same period from January 2021 to January 2025, ranked by yield:

- **Oriental (OFG)** achieved a return between January 2021 to January 2025 of **124.40%**.
- **Firstbank (FBP)** achieved a yield between January 2021 and January 2025 of **99.13%**.
- **Popular, Inc. (BPOP)** achieved a yield between January 2021 and January 2025 of **64.68%**.
- **Evertec (EVTC)** achieved a yield between January 2021 and January 2025 of **-12.20%**.
- **The Birling PR Stock Index** achieved a yield between January 2021 and January 2025 of **79.87%**, this beats the Dow Jones at 38.51%, S&P 500 AT 56.24% and the Nasdaq Composite at 49.60%.



### Oriental, Firstbank, Popular and Evertec Measured against the Dow Jones, S&P 500, Nasdaq Composite, Birling Puerto Rico Stock Index January 2, 2021 to January 2, 2025



### Charting the Course towards Economic Growth in Puerto Rico

The Unbiased Government Progress Index and its benchmarks show steady and sustained economic progress during the first three years in office. As seen in our discussion and noted in the following economic benchmarks, Governor Pierluisi continues steadily steering 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.

**Let's review the specific benchmarks and 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, the annual debt payment is reduced 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:** which focused on vaccination without politicizing the process, is one of the administration's greatest successes.
- **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 permanent increases 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 \$119.7 billion, of which \$68.08 billion are unused and collectively are enough to rebuild all of Puerto Rico's critical infrastructure and lead Puerto Rico into a future of significant progress. These are at least two key issues the Government must address 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.

### Now, let's focus on the negative issues that impacted Governor Pierluisi's Term in office.

Most experts as well as most voters that Governor Pedro Pierluisi's tenure was heavily affected by challenges related to Puerto Rico's fragile electrical grid and the controversies surrounding LUMA Energy's performance, and to add insult to injury, on December 31, 2024, there was a total blackout in Puerto Rico that left the whole island without electricity from 5:30 am until at least noon on January 1, 2025, only to suffer another outage that left most of the island without power from 2:00 pm on January 1, 2025 to 2:00 am January 2, 2025.

However, another issue has dramatically affected the sentiment of most Puerto Ricans, which is heavily the impact of the changing demographics; the pandemic, hurricanes, and earthquakes have affected Puerto Rico's Healthcare Ecosystem. We discuss both subjects in detail.

- **The Puerto Rico Healthcare Ecosystem:** From the pandemic onset on March 15, 2020, to December 31, 2021, the estimated losses to the Puerto Rico Healthcare ecosystem amounted to \$1,085,185,711 billion. Although the Cares Act provided some relief with a grant of \$400 million, a \$685.1 million hole is hard to fill. The crisis led to nearly as many as six hospitals filing bankruptcies of as much as \$500 million and others to sell or seek new investors.

The U.S. Congress discriminates with Puerto Rico's Healthcare funding. Each U.S. citizen receives \$13,000 per year in healthcare funding, yet Puerto Ricans only receive \$4,000 per capita, representing a shortfall of \$9,000 per year in less healthcare funding. So, every year, Puerto Rico should have received \$29.9 billion per year in healthcare funding using the same allocation that the 50 states receive.

Recently, we celebrated when the U.S. Congress allocated some \$17.6 billion spread over five years, which amounts to \$3.52 billion. In the statement, Congress said it prevented some 1 million Puerto Ricans from losing benefits.

While this action is long overdue, the allocation of \$3.52 billion per year is just 12% of the total due to Puerto Rico, which Congress blatantly distributes stateside in discrimination against all Puerto Rico USA Citizens. We receive \$29.9 billion in less funding, which amounts to \$300 billion in a decade.

Due to many challenges, including hurricanes, earthquakes, and the coronavirus pandemic, Puerto Rico's Healthcare Ecosystem and its components have taken a brutal hit.

The risks facing the healthcare ecosystem have created a systemic risk situation, and we must discuss the top five factors affecting the healthcare ecosystem.

- **2%-3% of Patients Consume 80% of the medical budgets:** One of the biggest problems in Puerto Rico is that the most significant percentage of health spending arises because people need to take care of their health conditions on time. When they go to the health centers, their conditions are so critical that the cost of treating them is in the millions. For example, 2% to 3% of patients consume 80% of medical budgets.
- **There is a need to focus on chronic diseases:** diabetes is the most expensive condition in Puerto Rico due to genetic and dietary reasons.

- **Lack of funds to carry out a Holistic Healthcare Model restructuring:** it is critical to create a holistic model of preventive healthcare where the population is educated to take care of their health in a proactive way and with constant monitoring to learn how to stay healthy at all stages of their lives.
- **Shortage of physicians wreaks havoc:** According to figures from the Puerto Rico College of Surgeons, in ten years, 5,000 physicians have left Puerto Rico, and the vast majority have moved to the United States in search of better economic conditions and more excellent work flexibility. That is a loss of over 36% of physicians in Puerto Rico.
- **Population dynamics:** are crossing a double threshold with negative emigration patterns and negative population growth (live births vs. deaths), decreasing patient volume at 10% per year.
- **The Fragile Electric Grid:** The island's energy crisis has been a recurring source of public frustration, political tension, and economic disruption, which has impacted Pierluisi's administration in several ways:
  - **Public Perception and Accountability:** LUMA Energy, tasked with managing Puerto Rico's electrical transmission and distribution system, has faced criticism for frequent blackouts, dismal communication, slow response times, and rising electricity costs. As Governor, Pierluisi was ultimately responsible for overseeing and ensuring the success of LUMA's performance. This has placed him in a difficult position, mainly when outages affect businesses, schools, and essential services.
  - **Economic Impact:** The fragility of the electrical grid has deterred investment and hindered economic development. Businesses depend on reliable power to operate, and recurring outages undermine confidence in the island's infrastructure. The energy crisis has affected Pierluisi's efforts to promote Puerto Rico as an investment-friendly destination.
  - **Political Fallout:** The LUMA contract has been a polarizing issue. Critics argue that the grid privatization under LUMA was poorly planned and lacked proper oversight. Opposition parties and civic groups have used LUMA's perceived failures to criticize Pierluisi, challenging his leadership and decision-making.
  - **Federal and Local Collaboration:** The Governor has advocated for federal funding to rebuild the grid, including support from FEMA and HUD. While significant funds have been allocated, the slow pace of grid modernization has been a contention. Pierluisi's administration has also navigated complex dynamics between federal agencies, local stakeholders, and LUMA.
  - **Calls for Transparency and Change:** The public's growing frustration has led to protests and calls for greater transparency regarding LUMA's contract and performance metrics. Pierluisi has defended the privatization effort but has also called for improvements, striking a balance between supporting LUMA and addressing public demands.

- **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 2025 was projected to be around 3.1 million, which was achieved in 2021.

**BIRLING** CAPITAL ADVISORS, LLC **Older and Smaller Puerto Rico Population**

**The Final Word: The Government Progress Index Measure for Measure The Key to Good Government**

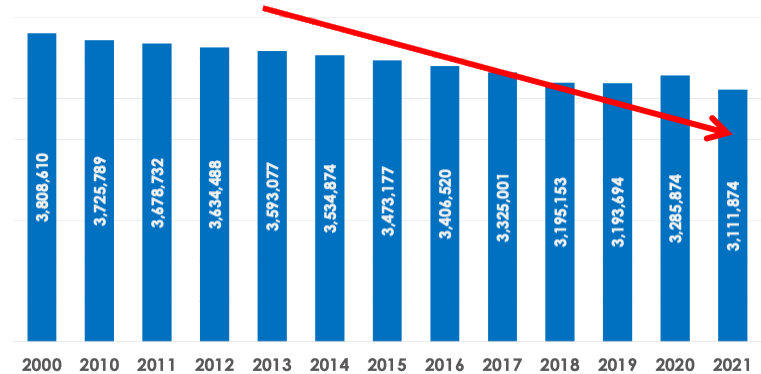
Birling Capital's Government Progress Index is vital for Assessing Government Success and Economic Metrics with unbiased analysis.

Birling Capital's Government Progress Index shows that during the month of January 2025, the Governor was able to increase the Government Progress Index to 26.5 points, an improvement of 100.76%; when comparing the Government Progress Index, the Governor inherited 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.

Our subsequent evaluation of the Government Progress Index will continue measuring the first 100 Days of Governor Jennifer González.

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.



Francisco Rodríguez-Castro, President & CEO • frc@birlingcapital.com  
 PO Box 10817, San Juan, PR 00922 • 787.247.2500 • 787.645.8430

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