



Birling Capital's Government Progress Index



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Welcome Message



**Government
Progress Index**



The Government Progress Index allows any citizen to understand what success looks like and learn how to recognize it? ”

Francisco Rodriguez-Castro
President & CEO

What is the Government Progress Index?

A set of metrics developed by Birling Capital's proprietary algorithm that evaluates the economy's performance, along with other relevant variables, to measure the government's progress.



**Government
Progress Index**

How does it work?

The Government Progress Index measures:



- ▶ Quality of public services
- ▶ Progress of economic development
- ▶ Citizens' quality of life
- ▶ Policy formulation
- ▶ Policy implementation
- ▶ Government's ability to improve the general welfare of the Island

We use a set of variables from over 20 sources, such as:



- ▶ GNP growth
- ▶ Unemployment rate
- ▶ Crime rate
- ▶ Economic activity index
- ▶ Labor force participation rate
- ▶ Quality of public services

Sources include the Federal Reserve Bank, the Department of Labor, the Bureau of Labor Statistics, the Puerto Rico Planning Board, the Institute of Statistics, the Department of Economic Development, and many other vital sources.

An example of the benchmarks we have utilized...



Governor Pedro Pierluisi			
Metrics for Puerto Rico			
	Jan-2-2022	Jan-2-2021	Change
Price per liter of gasoline	\$0.73	\$0.69	5.80%
Puerto Rico Manufacturing PMI	56.80	52.40	8.40%
Sales of Cement Bags	1,190,000.00	1,417,500.00	-16.05%
Type 1 Crime Stats	16,403	16,545	-0.86%
Unemployment	7.80%	9.20%	-15.22%
Gross Domestic Product	2.60%	-4.40%	269.23%
Economy Activity Index	2.80%	-3.20%	214.29%
Labor Participation Rate	43.40%	39.90%	8.77%
Homeowners Ownership Rate	62.90%	60.90%	3.28%
Per Capita Income	\$20,230	\$20,078	0.76%
Birling Puerto Rico Stock Index	3,037.51	2,032.04	49.48%
			Debt
Total Government Debt	\$35 Billion *	\$69 Billion	Adjustment Plan Certified
Credit Rating	D	D	Default
Market Access	Limited access	No Access	In Progress
Government Progress Index	26.3	13.2	99.24%

Our proprietary algorithm assigns each variable a score based on progress or contraction and ***its maximum collective score is 40 points.***

For example...

The Government Progress Index for Puerto

Rico increased from 13.2 to 26.3 during the first year that Governor Pierluisi was in office (Jan'21 – Jan'22).

Why is it valuable?

The Government Progress Index...



- ▶ Taps into **objective** and **unbiased** data that collectively capture key areas of the country and supplies a concrete picture of progress or deterioration
- ▶ Offers an **in-depth analysis** encompassing the effects of government policy and global, national, and local trends on the economy
- ▶ Provides benchmarks that help improve program oversight and accountability, increase the effectiveness and efficiency of services, and assess what works and what doesn't while providing **information that is critical when making difficult policy decisions**

For citizens, The Government Progress Index will...

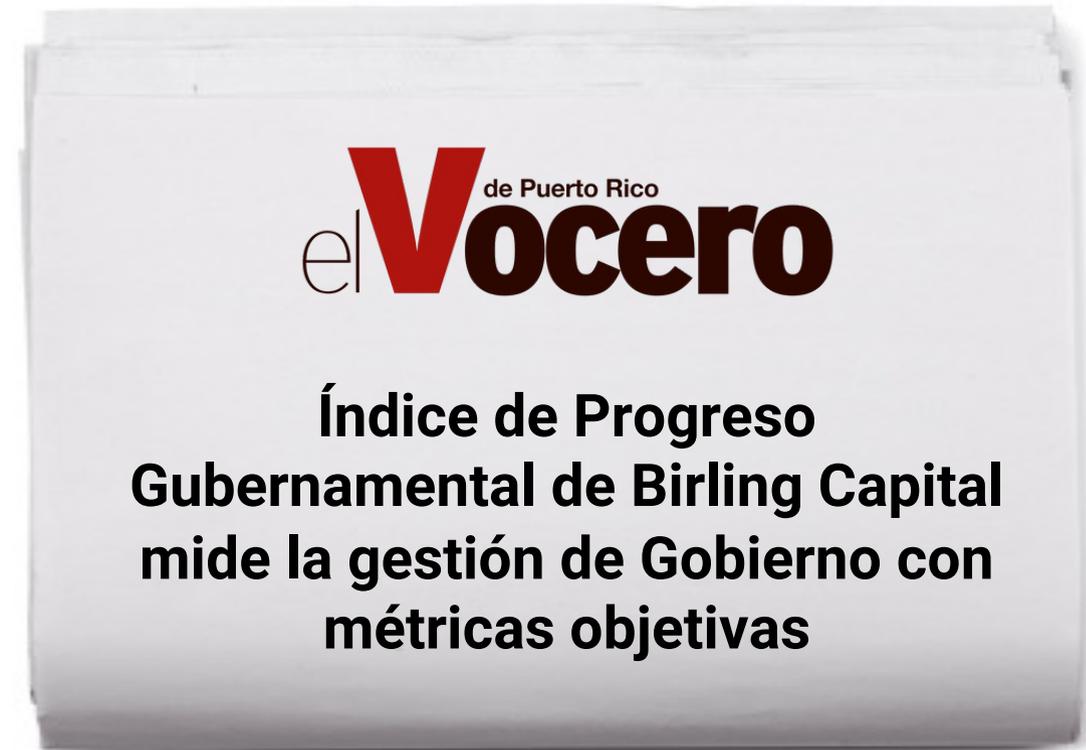


- ▶ Provide a vital guide when making **investment and business decisions**
- ▶ Be able to **objectively gauge how the government is performing** and where it is headed
- ▶ Offer an opportunity to **unify and address** clearly defined opportunities and challenges



Latest Report

The Government Progress Index has received raving reviews...





Government Progress Index Puerto Rico

**Measuring Governor Pierluisi
May 2022**

May'22 Results

During May 2022, ***the Governor was able to increase the Index to 29.40***, an 11.79% improvement over January's 26.30 and a ***122.73% increase from the index he inherited of 13.2 points.***

Governor Pedro Pierluisi Benchmarks for Puerto Rico

	May-22	Jan-22	Change
Price Per Liter Regular Gasoline	\$1.263	\$0.73	73.01%
Puerto Rico Manufacturing-PMI	63.60	56.00	13.57%
Sales of Bags of Cement	1,297,400.00	1,063,000.00	22.05%
Crime Stats Type 1	1,490	1,847	-19.33%
Unemployment	6.50%	7.80%	-16.67%
Average GNP Growth Rate	2.60%	2.60%	0.00%
Economic Activity Index	3.90%	2.80%	28.21%
Labor-force participation rate	44.10%	43.40%	1.61%
Home ownership rate	62.90%	62.90%	0.00%
Median household income	\$20,230	\$20,230	0.00%
PR Stock Index	2,806.49	3,037.51	-7.61%
National debt	\$34,000,000	\$70,000,000	-51.43%
Credit Ratings	D	D	Default
Access to markets	Limited	Limited	In progress
Government Progress Index	29.4	26.3	11.79%
Government Progress Index Since 2021	29.4	13.2	122.73%

Other Considerations



- ▶ Puerto Rican publicly traded companies outperformed Wall Street benchmarks
- ▶ The implementation of the Debt Adjustment Plan reduced our debt from \$70B to \$34B
- ▶ The Governor is highly active in promoting Puerto Rico as an investment destination
- ▶ The implementation of the Earned Income Tax Credit (\$612M in annual funds for 10 years)

Other Considerations



- ▶ The implementation of the Child Tax Credit (\$1.5 billion)
- ▶ The response to COVID-19 and focus on vaccination without politicizing the process
- ▶ Puerto Rico has become a stable presence on Washington's agenda in critical areas such as Medicare and Medicaid parity and rebuilding efforts

Items of Concern



- ▶ The elimination of the Foreign Tax Act 154 creates an uncertain environment
- ▶ Lack of a consensus on tax matters
- ▶ Reduction in revenue due to the termination of pandemic-related aid
- ▶ High inflation is affecting consumers and impacting all micro and small businesses

Items of Concern



- ▶ Changes in the Federal Reserve Bank's monetary policy will increase the cost of commercial and consumer credit
- ▶ Puerto Rico's declining population and higher mortality rate vs birth rate
- ▶ The need to find broad spaces for multiparty work, working as a team with the Legislature and Fiscal Oversight & Management Board

Final Message



An opinion is truly the lowest form of knowledge. It often requires no accountability, no understanding, and sometimes falsehoods. However, the highest form of knowledge ... is **empathy**, for it requires us to suspend our egos and live and walk around in it. It also requires a profound purpose more considerable than the self kind of understanding. ””

Francisco Rodriguez-Castro
President & CEO

Birling Overview



BIRLING OVERVIEW

Birling Capital is a leading corporate advisory & consulting firm that offers broad corporate finance & advisory services to institutional, government, corporate, middle-market companies, family corporations, and their owners. We assist in identifying and solving organizational finance-related issues, using a holistic approach that evaluates assets and liabilities while keeping business, personal, and family needs in mind.

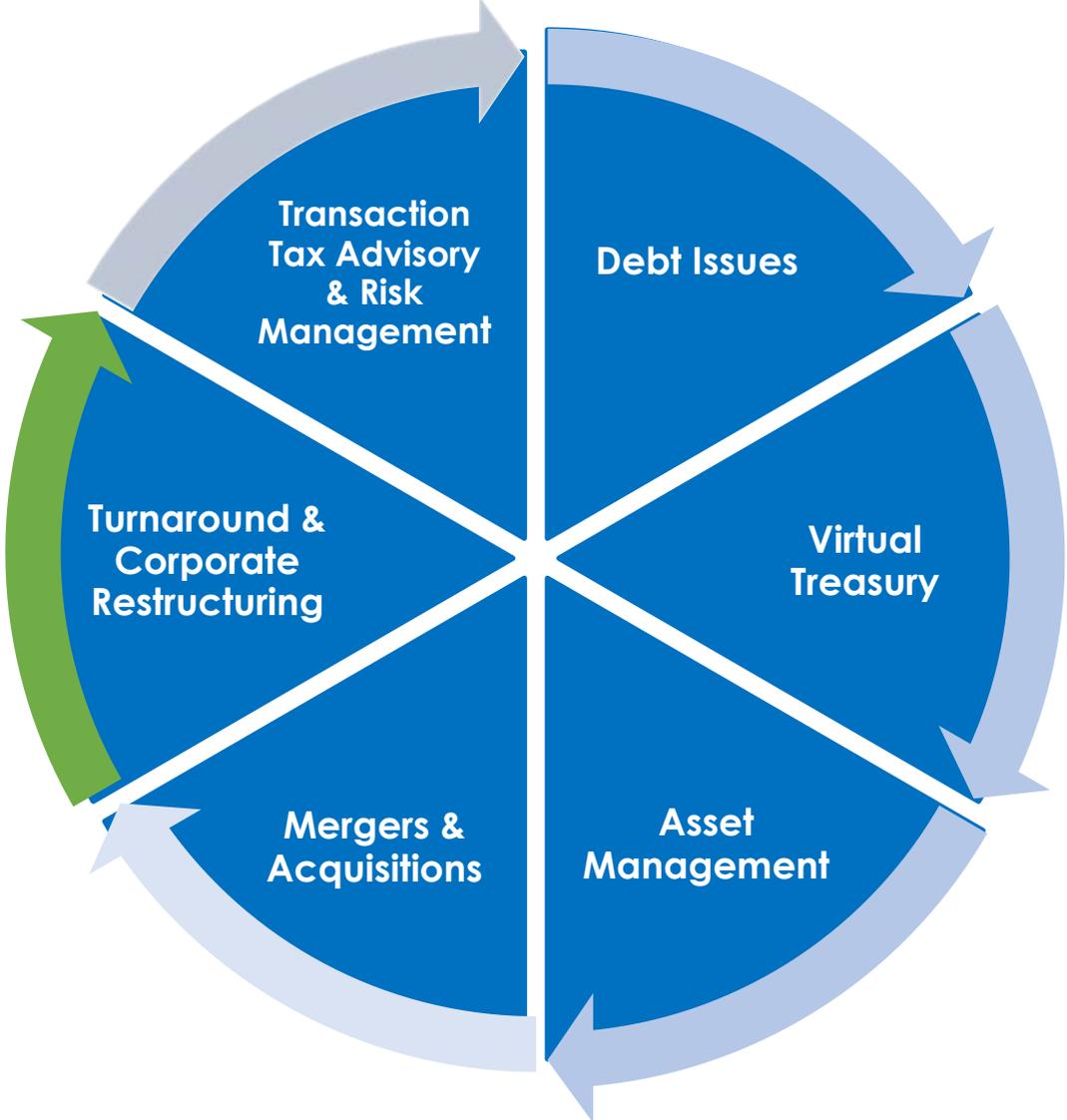
Over the past two decades, our firm's principals have advised on more than 500 transactions in the corporate, healthcare, retail, education, insurance, banking, and government markets..

Our value proposition has been implemented with three critical ingredients for success:



- ❑ Unwavering Commitment to Client Service
- ❑ Unparalleled Degree of Professionalism and Senior-Level Attention
- ❑ Extraordinary Level of Industry Expertise

Corporate Financial Planning (CPF)



Our Integrated Approach



Birling combines both operational and financial expertise to provide a full-service offering. This means we design the solutions and then work with our clients to implement them.



BIRLING

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