



Birling Capital's Government Progress Index



**Government
Progress Index**



**Índice de
Progreso
Gubernamental**

Puerto Rico & United States Editions

Welcome Message

BIRLING
CAPITAL ADVISORS, LLC



**The Government Progress Index
allows any citizen to understand
What is success? and learn
How to recognize it? ””**

Francisco Rodriguez-Castro
President & CEO

What is the Government Progress Index?



The **Government Progress Index** is a set of metrics developed by Birling Capital that evaluates the performance of Puerto Rico's economy and other variables to measure the Government's Progress as assessed by our proprietary algorithm.

The Index measures the quality of public services, the Progress of economic development, the quality of life of citizens, policy formulation, policy implementation, and the Government's ability to improve the general welfare of the Island. The Index uses a set of variables: GNP growth, unemployment rate, crime rate, economic activity index, labor force participation rate, and quality of public services from more than 20 sources. 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.

Government Progress Index, What is success? and How to recognize it?



The function of the Birling **Government Progress Index** is to provide a roadmap that allows citizens to evaluate how the Government of Puerto Rico and the Government of the U.S. are doing and how the overall economy is performing through the implementation of the Government's public policies.

The **Government Progress Index** assigns scores to the different variables measured, and its maximum collective score is 40 points. On this initial presentation we Presented the **Government Progress Index** for evaluating Governor Pierluisi's first year in office which published in El Vocero Newspaper on January 14, 2022, to raving reviews that even the Governor posted in his pages. This week Birling Capital presents its second **Government Progress Index** report is focused on evaluating the U.S. Presidency. Similar to the way we used to measure the progress of Puerto Rico's governance, this report now focuses on evaluating the U.S. presidency and President Biden.



Government Progress Index

Puerto Rico

Measuring Governor Pierluisi

Government Progress Index: Government of Puerto Rico



Let's review the shape he inherited using a series of benchmarks and directly compare Progress from January 2, 2021, to January 2, 2022, the first year in office, using measure-by-measure comparisons included in Birling Capital's Government Progress Index.

Even with the headwinds of the COVID-19 pandemic, improvements are present in critical areas:

- **Economic Progress:** when Governor Pierluisi took office, he found that the economy showed a contraction of -4.40% over the past twelve months; the increase in economic activity registered an annual Gross Domestic Product growth of 2.60%, representing an improvement of 269.23% during his first year in office.
- **Economic activity index:** when the Governor took office, it stood at -3.20%, and now it has reached 2.80%, an increase of 214.29% in twelve months.
- **Employment growth and reduction of Unemployment:** a great improvement is observed in the unemployment rate with a decrease of -15.22% in the last twelve months, dropping from a rate of 9.20% to 7.80%. In addition, the labor participation rate increased by 8.77% during the same period, rising from 39.9% to 43.40%. Total non-farm employment increased from 852,400 to 871,400 and increased by 19,000 jobs.

Government Progress Index: Government of Puerto Rico



- **Homeownership rate:** another key benchmark worth noting is the increase in the homeownership rate to 62.90%, up from 60.9% last year, an increase of 3.28%.
- **Puerto Rico's manufacturing PMI:** rose to 56.80 from 52.40, an increase of 8.40% and a testament to Puerto Rico's strong manufacturing capacity.
- **Puerto Rican publicly traded companies outperform Wall Street benchmarks:** the Birling Puerto Rico Stock Index: which includes the five publicly traded Puerto Rican companies, has risen to 3,037.51, an increase of 49.48% in twelve months. In addition, the 2021 return reached 48.53%, beating the Dow Jones, the S&P 500 and the Nasdaq by a good figure. Individual stocks all posted outstanding returns, including Triple S (GTS) 67.12%, Firstbank (FBP) 49.46%, Popular, Inc. (BPOP) 45.67%, Oriental (OFG) 43.26%, and Evertec (EVTC) 27.11%.
- **Plan of Adjustment:** Judge Laura Taylor-Swain approved Puerto Rico's Plan of Adjustment, which allows the Island to emerge from bankruptcy. In addition, Puerto Rico's total debt is expected to be reduced from \$69 billion to \$35 billion, a 49.27% cut.

Government Progress Index: Puerto Rico Metrics



Below are the benchmarks utilized to create the Government Progress Index, Governor Pierluisi inherited the following benchmarks, and we compare the Progress made through January 2, 2022.

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% |
| Birlinging Puerto Rico Stock Index | 3,037.51 | 2,032.04 | 49.48% |
| | | | Debt |
| Total Government Debt | \$35 Billion * | \$69 Billion | Adjustment Plan Certified Default |
| Credit Rating | D | D | |
| Market Access | Limited access | No Access | In Progress |
| Government Progress Index | 26.3 | 13.2 | 99.24% |



Government Progress Index

Puerto Rico

**Measuring Governor Pierluisi,
Monthly evaluation**

Government Progress Index: Government of Puerto Rico Monthly Review

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Birling Capital's Governmental Progress Index shows that during this first month of 2022 the Governor was able to increase the Governmental Progress Index to 26.7, an improvement of 1.52% over last month's 26.3 and an increase of 102.27% over the Governor's inherited index of 13.2 points. Even with the headwinds of the COVID-19 pandemic, improvements are present in critical areas:

- **Price per liter of gasoline:** one of the segments outside the control of the Government is the price of energy, gasoline, and its derivatives, but we measure it because it is one of the parameters that most affect the consumer's pocket and with it his sentiment, the price in January 2022 was \$0.73 per liter and in February it had increased to \$0.937 per liter, an increase of 28.36%, something that affects multiple industries and consumers.
- **Economic progress:** the increase in economic activity registered an annual growth of Gross Domestic Product of 2.60%, which represents an improvement of 269.23% during his first year in office, this rhythm is not only steady but could increase.
- **Economic activity Index:** which had reached 2.80%, an increase of 214.29% in twelve months. Now it has increased to 3.80%, a monthly increase of 26.32%, supporting Puerto Rico's continued economic growth.

Government Progress Index: Government of Puerto Rico Monthly Review

Monthly evaluation continued:

- **Of concern is the decrease in Cement Sales:** Cement sales decreased from 1,147,800 to 1,063,000 a decrease of -7.39%. The concern is what it means for the Construction Sector and the much-anticipated rebound.
- **Employment Growth and Unemployment Reduction:** the unemployment rate declined in January to 7.80% and is down further today to 7.50%, a one-month reduction of 3.85%. In addition, the labor participation rate increased 1.84% over the past month, rising 43.40% to 44.20%. Total nonfarm employment increased by 28,900 when compared to the same period last year.
- **Puerto Rico's manufacturing PMI:** down from 56.80 to 47.60, a reduction of 16.20% last month, something to watch closely. In fact, the foreign tax or Act 154 reflected its worst numbers in 8 years. Puerto Rico's manufacturing capacity

Government Progress Index: Government of Puerto Rico Monthly Review



Monthly evaluation continued:

- **Puerto Rican publicly traded companies outperform Wall Street benchmarks:** the Birling Puerto Rico Stock Index: which now includes all four Puerto Rican publicly traded companies, Triple S was delisted during the month and the Index was adjusted to reflect that delisting, has risen to 2,946.36, an increase of 2.34% in the last month. In addition, the 2022 year-to-date return reached 2.33%, outperforming the Dow Jones at -1.95%, the S&P 500 at -3.71%, and the Nasdaq at -7.89%. Individual stocks almost all posted positive returns, including:
 - ❑ **Popular, Inc. (BPOP) 11.38%,**
 - ❑ **Firstbank (FBP) 7.33%,**
 - ❑ **Oriental (OFG) 2.71%, and**
 - ❑ **Evertec (EVTC) -12.08%.**
- **Plan of Adjustment:** Judge Laura Taylor-Swain approved the plan and the process to allow the island to emerge from bankruptcy is underway. In addition, Puerto Rico's total debt is expected to be reduced from \$69 billion to \$35 billion, a 49.27% cut.

Government Progress Index: Government of Puerto Rico



Items of Concern:

Concerns about the Wave of Increases to Government Employees: The recent wave of requests for raises from several government sectors, although fair and important. It is giving an erroneous impression of the reality of Puerto Rico since we still have a long way to go to get out of bankruptcy and pay what has been agreed to by retirees, bondholders, and creditors.

What is the annual cost of a \$1,000 monthly raise to all teachers?

About \$343.2 million (26,000 teachers, \$1,000 monthly increase, and fringe benefits ~10 percent). The first 10 percent goes into effect July 1 (\$83 million), while the second 10 percent raise starts Jan. 1, 2021 (\$41 million). The \$470 monthly in fiscal year 2024 will represent \$168.1 million. However, it does not stop there; we must add to the parade of salary increases and Firefighters, Correctional Officers, Emergency Medical Technicians. I suspect that the salary increase promises will not end there. All told, these salary increases could add just shy of a billion dollars, if not more, in fixed salary expenses to the Government of Puerto Rico.

Can we afford that?

Government Progress Index: Puerto Rico Metrics

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The Government Progress Index's first monthly evaluation, which was published on February 22, 2022

Governor Pedro Pierluisi

Metrics for Puerto Rico

| | Feb-2-2022 | Jan-2-2022 | Change |
|---------------------------------|-------------------|-------------------|---|
| Price per liter of gasoline | \$0.937 | \$0.73 | 28.36% |
| Puerto Rico Manufacturing PMI | 47.60 | 56.80 | -16.20% |
| Sales of Cement Bags | 1,063,000.00 | 1,147,800.00 | -7.39% |
| Type 1 Crime Stats | 1,819 | 1,682 | 8.15% |
| Unemployment | 7.50% | 7.80% | -3.85% |
| Gross Domestic Product | 2.60% | 2.60% | 0.00% |
| Economy Activity Index | 3.80% | 2.80% | 26.32% |
| Labor Participation Rate | 44.20% | 43.40% | 1.84% |
| Homeowners Ownership Rate | 62.90% | 62.90% | 0.00% |
| Per Capita Income | \$20,525 | \$20,230 | 1.46% |
| Birling Puerto Rico Stock Index | 2,946.36 | 2,879.13 | 2.34% |
| | | | Debt |
| Total Government Debt | \$35 Billion * | \$35 Billion * | Adjustment Plan Certified Default |
| Credit Rating | D | D | |
| Market Access | Acceso Limitado | Acceso Limitado | In Progress |
| Government Progress Index | 26.7 | 26.3 | 1.52% |

Government Progress Index: Government of Puerto Rico

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- El Índice de Progreso del Gubernamental de Birling Capital muestra que durante este primer mes del año 2022 el Gobernador fue capaz de aumentar el índice de Progreso Gubernamental a 26.7 | Indice De Progreso Gubernamental | elvocero.com



The Government Progress Index

United States

Measuring President Biden

Government Progress Index: U.S. Presidency



As the headwinds of COVID-19 continued the nascent Biden Administration took key steps to curtail the pandemic with two policies had the biggest short-term impact:

- **One hundred million Vaccines in 100 Days:** the goal of vaccinating 1 million Americans per day was achieved well before the April 30, 2021 deadline when it reached 101.4 million fully vaccinated Americans, from the 2.1 million on January 20, 2021. The Biden administration had set a goal of reaching 70% vaccination by July 4, 2021, which happened, and because vaccination has become a political issue, it may be a difficult goal to achieve. Now with Omicron it may help.
- **Economic Progress:** when President Biden took office, the U.S. GDP had risen to 4.50% following the pandemic; the most recent reading fell to 2.30%, still robust but less growth and a decrease of -48.9%.
- **Employment Growth and Reduction of Unemployment:** the U.S. during 2021 created north of 8 million jobs during 2021, a fundamental improvement over 2020. Also, the unemployment rate fell to 3.90% from 6.70% in January of 2020, a decrease of 41.8%. Additionally, the initial unemployment claims fell to 286,000 from 836,000 on January 20, 2020, decreasing 65.7%. However, the U.S. job openings remain stubbornly high at 10.5 million, up from 7.09 million on January 20, 2020, an increase of 64%.

Government Progress Index: U.S. Presidency



Observations:

- **U.S. Stock Markets:** The U.S. equity markets have performed spectacularly throughout 2021, achieving double-digit returns in the three major indices, the Dow Jones with 18.73%, S&P 26.89%, and Nasdaq 21.39%. As 2022 began, the mix of inflation with Omicron and changes in monetary policy have caused increased volatility this past month. Comparing all the indices as they were at the start of President Biden, we can report that they had positive returns compared to January 20, 2021, the Dow Jones Industrial Average was up 11.30%, the S&P 500 16.40%, and the Nasdaq Composite 5.20%. The results are remarkably different from President Trump's many warnings that if Biden were elected, the markets would crash.
- **Inflation Impacting the Economy:** The inflation benchmarks all look bad for President Biden and the U.S. economy, with the Consumer Price Index (CPI) rising to 7.04% on January 2022, up from 1.40% in January 2021 a 402.9%, the Producer Price Index (PPI) also rose to 9.68% from 1.60% a 505% and the Inflation rate rose to 7.04% from 1.40% up 402.9% in January 2021, the most significant rise since June 1982. Federal Reserve Chairman Powell told a Senate panel that to control inflation during a period in which the U.S. economy has largely recovered, the Fed must raise rates during 2022. Birling Capital has predicted that at least 3 to 4 interest rate increases will occur during the year at levels easy to assimilate.

Government Progress Index: U.S. Presidency



Observations:

- **Approval Rating:** President Trump left office on January 2021 with a 29% approval rating, the second-lowest in 47 years. President Biden has had an average approval rating of 49%, the President's approval rating has been taking a hit. The latest approval rating is 40%, meaning 60% of all Americans disapprove of the job he is doing, quite a turn from the expectation everyone had of his, particularly someone with a world of experience for the job.

In conclusion, the Government Progress Index gives President Biden a total score in his first 12 months in office of a rating of 29.5 that when compared to the 12.4 that President Trump scored when he left office shows that President Biden has an improvement of 137.90%, quite an improvement.

Benchmarking is a necessary function of government. It can improve program oversight and accountability, improve the effectiveness and efficiency of services, and assess what works and what doesn't while providing the critical information needed to make difficult policy decisions.

There are no quick fixes; only the resolve and determination of our leaders and citizens will drive our long-term growth. For these reasons, we have created the Government Progress Index to show you what success looks like and to understand how to recognize it.

Government Progress Index: U.S. Presidency



Below are the benchmarks utilized to create the Government Progress Index that President Biden inherited the following benchmarks, and we compare the Progress made through January 20, 2022.

President Biden

| U.S. Benchmarks | 1/20/2022 | 1/20/2021 | Change |
|-----------------------------------|--------------|--------------|-----------|
| Price Per Gallon Regular Gasoline | \$3.06 | \$3.21 | -4.7% |
| Dow Jones Industrial Average | 34,715.30 | 31,188.38 | 11.3% |
| Nasdaq | 14,154.03 | 13,457.25 | 5.2% |
| S & P 500 | 4,482.73 | 3,851.85 | 16.4% |
| Unemployment | 3.90% | 6.70% | -41.8% |
| Average GDP Growth Rate | 6.90% | 4.50% | 53.3% |
| Labor-force participation rate | 61.90% | 61.50% | 0.7% |
| Consumer Price Index | 7.04% | 1.40% | 402.9% |
| Producer Price Index | 9.68% | 1.60% | 505.0% |
| Inflation Rate | 7.04% | 1.40% | 402.9% |
| Home ownership rate | 65.40% | 65.30% | 0.2% |
| Median household income | \$79,900 | \$78,500 | 1.8% |
| US Job Openings | 10,560,000 | 7,099,000 | 64% |
| National debt | \$29,823,395 | \$26,700,000 | 11.7% |
| Credit Ratings | AAA & AA+ | AAA & AA+ | Unchanged |
| Access to markets | Full Access | Full Access | Unchanged |
| Approval Rating | 40 | 29 | 37.93% |
| Government Progress Index | 29.8 | 12.4 | 140.3% |



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