



UNIVERSITY OF GUAM
**REGIONAL
CENTER
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2018 Guam Economic Report **With Updates**

School of Business and Public Administration

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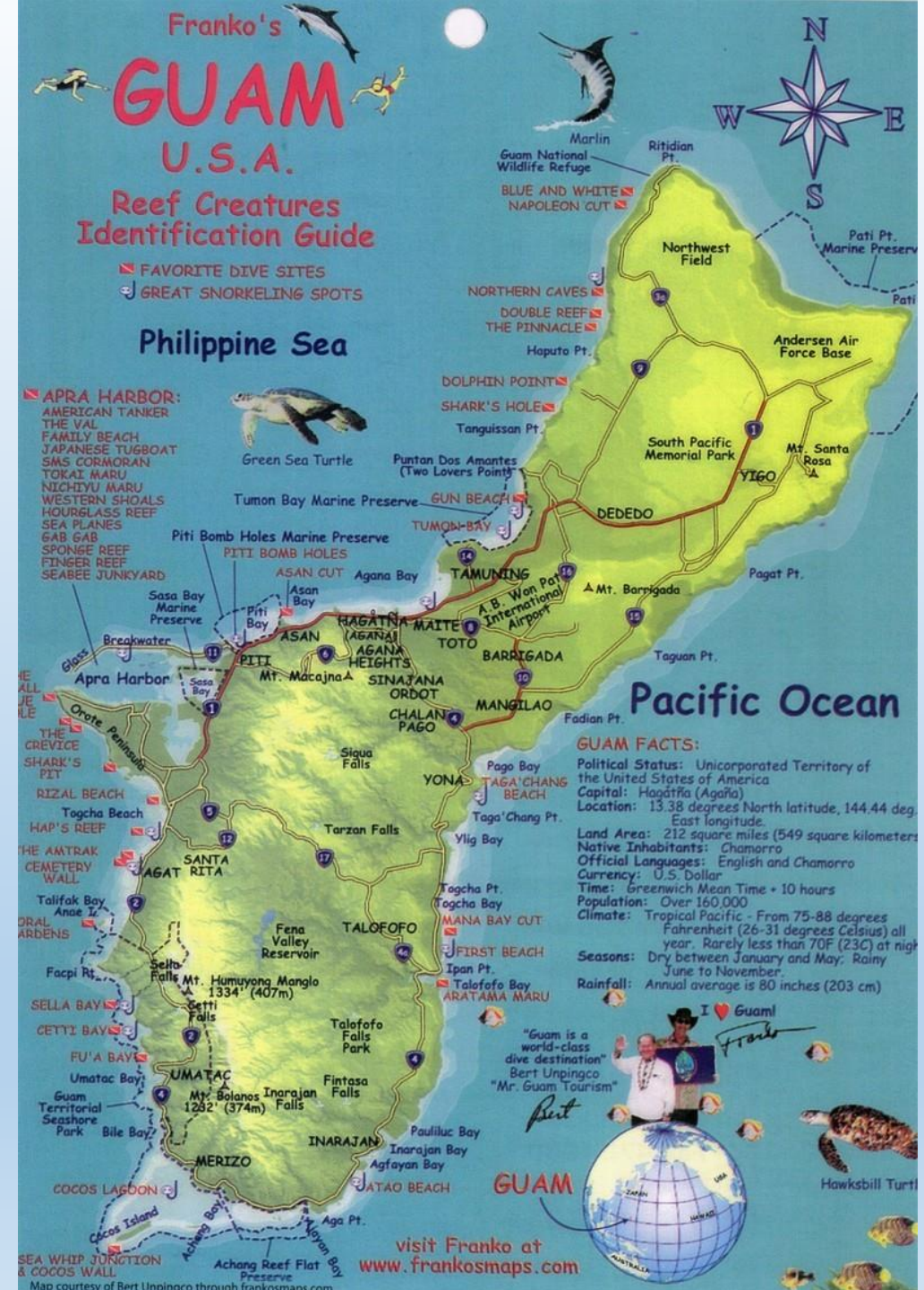
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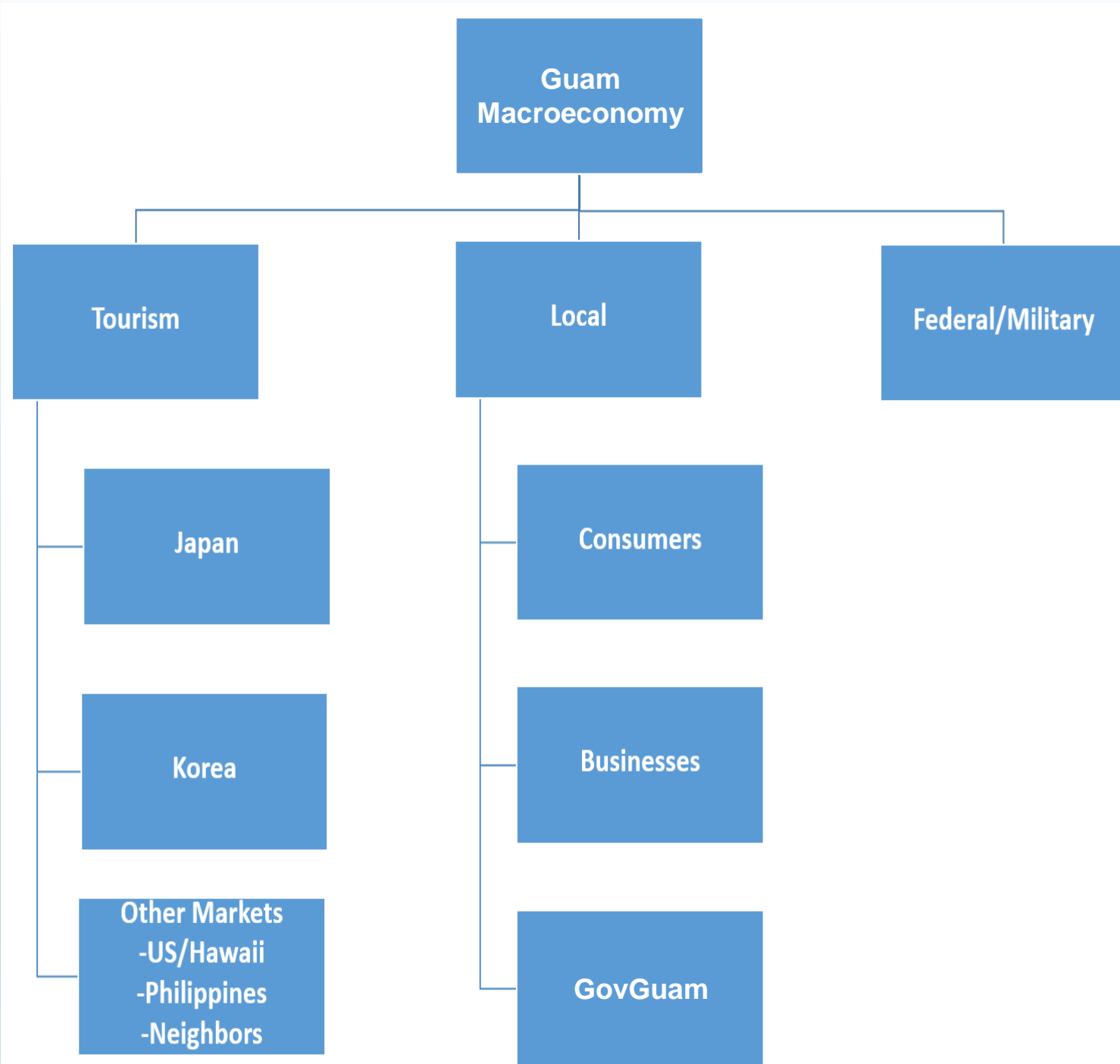
Map of Guam

- Have you seen this before?
- Thanks to Mr. Bert Unpingco, Father of Guam Tourism



Economic Map of Guam

- Have you seen this before?
- What would it look like?
- What would it be used for?



Latest State of the Guam Economy

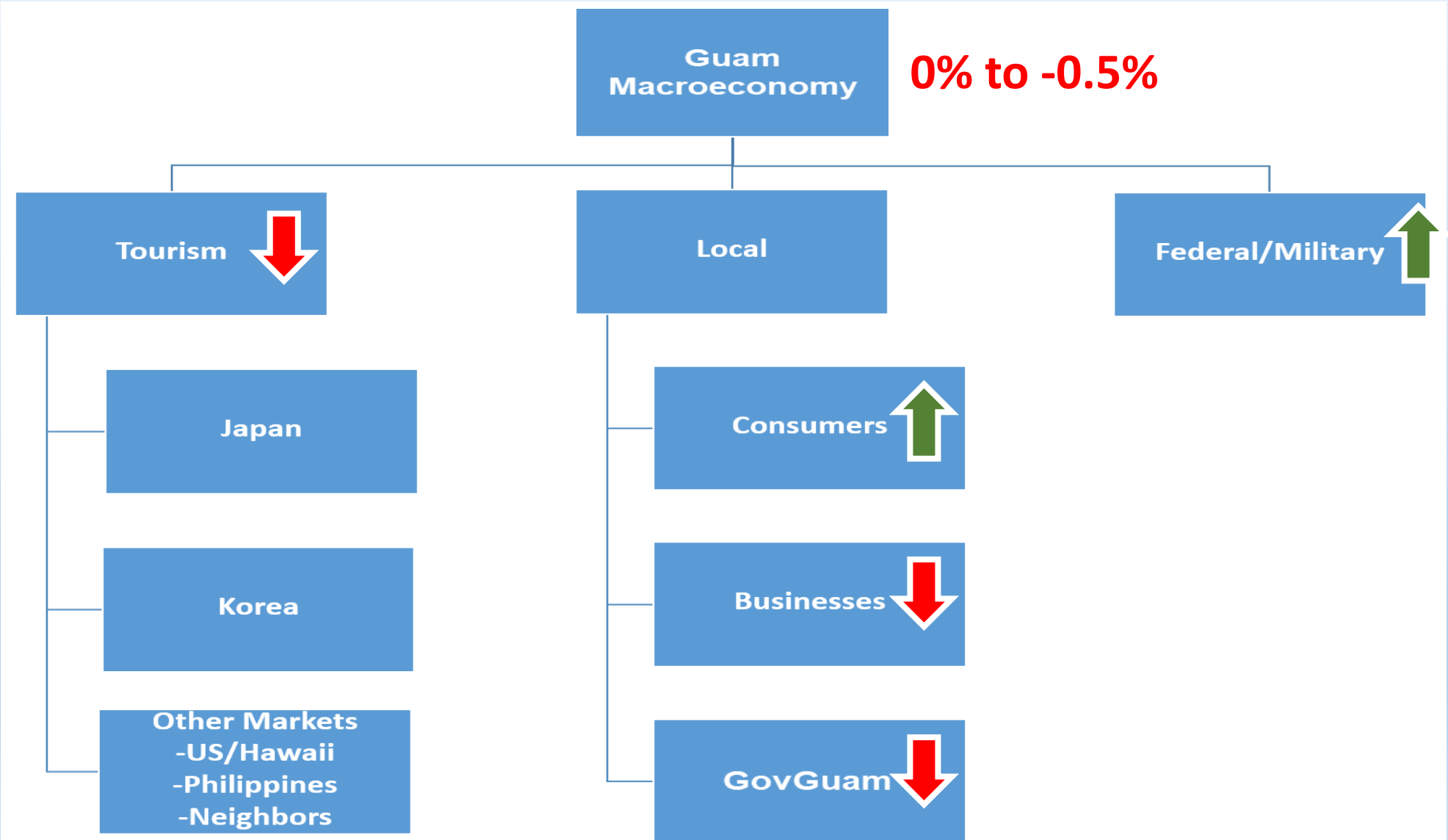
Production/Output/Income/Spending

- Latest data 2017, which GDP?
 - Guam's Nominal GDP = \$5.859B in current \$
 - Guam's Real GDP = \$5.217B in 2009\$ (effect of price changes removed)
- Economic growth measured using Real GDP growth
 - **“growing but slowing”**
 - 1.08% average 2002-2017
 - 0.5% (2015), 0.3% (2016), 0.2% (2017)
 - Predicting 0% to -0.5% (2018), -1% (2019)

Latest State of the Guam Economy

- Economic growth (2018)
 - affected by spending by different parties/units (“three-legged stool”)
 - **Tourists**
 - Arrivals -2% FY2018; 0.4% CY2018
 - Korea > Japan in numbers; Korea < Japan in spending
 - **FedGov/Military**
 - Growth in FedGov spending
 - Clear sign of military build-up
 - \$350M NDAA
 - **Locals**
 - Consumers spending flat/slightly higher
 - Business spending down (uncertainty with elections, H-2B visa limits, tourism down, military up)
 - GovGuam spending down in FY2017 vs FY2016

2018



Latest State of the Guam Economy

Jobs/Employment/Unemployment/Labor Market → A MIXED PICTURE

- Low Unemployment rate = 4.4% (Mar2018)
 - UPDATE 3.8% (Jun2018)
- High labor force non-participation rate 51,660 (Mar2018)
 - UPDATE decreased but still high at 49,380 (Jun2018)
- Negative Employment growth on Mar2018
 - UPDATE new data but still negative job growth (Jun2018, Sep2018)
- Hourly wages \$13.80 in private sector, \$25.59 in GovGuam (Mar2018)
 - UPDATE (Sept 2018)
\$14.20 in private sector (+3% in 6 months), \$26.31 in GovGuam (+2.8% in 6 months)

Prices/Inflation

- Present but considered low = 2.3% average (2010-2018), 2.5% (2017)
 - UPDATE 2.6% (2018) so wages kept pace with prices, purchasing power intact
- Effect of BPT increase included since 2018 Q2
In general, inflation up to 5% considered “stable” by most investors

Economic Forecast for 2019 (as of 12/27/2018) with UPDATES (as of 03/13/2019)

- Flat/slightly higher consumer spending
 - **UPDATES**
FedGov shutdown (Dec2018-Jan2019)
Tax refunds for 2018
- Uncertain business spending
 - Military projects, non-election year, new administration → increase
 - Tourism → decrease
 - **UPDATES**
H-2B visa limits PLUS H-2B from Philippines banned
Tourism turning up (more on this...)
Military funding “safe” for FY2019, could decrease for FY2020 due to Wall funding

Economic Forecast for 2019 (as of 12/27/2018) with UPDATES (as of 03/13/2019)

- Federal spending will increase
 - 60% on defense spending in general; \$1.5M in NDAA military construction

UPDATES

- **FY2020 budget c/o DOI \$600M**
- **Wall funding could reduce Guam military budget by \$649M**
- **North Korea threat renewed?**

Economic Forecast for 2019 (as of 12/27/2018) with UPDATES (as of 03/13/2019)

- GovGuam spending will decrease to match lower revenue in FY2019 (-\$77M)

UPDATES

- Daily collection reports, revenue collections up \$5M Oct-Nov 2018
- PL 35-1 → \$8M tax revenues as budgeted for FY2019
- \$6M in uncollected Section 30 funds
- Expenses down, savings from
 - Executive staff and cabinet members budget
 - Executive Security
 - No retirement accounts for Gov/LtGov (possible)
 - Combining of boards and commissions
- Not from defunding of deputy positions, AG opined INORGANIC

Economic Forecast for 2019 (as of 12/27/2018) with UPDATES (as of 03/13/2019)

- Tourism will worsen
 - ADB: Korea and Japan economic growth downgraded
Korea 2.7% (2018) 2.6% (2019)
Japan 0.8% (2018) 1.0% (2019)
 - Korean won weakened throughout 2018
KRW 6% weaker (past year)
JPY 4% weaker (past year)
 - U.S. economy will have recession in 2019-2020 (China trade war)
 - UPDATES

TOURISM HAS IMPROVED SINCE REPORT WAS RELEASED

Economic Forecast for 2019 (as of 12/27/2018) with UPDATES (as of 03/13/2019)

- Visitor Arrivals continue to increase
- Recovery of Japan market since FY 2018 and importance of diversification (including military exercises, e.g., COPE North)

	FY 2018	Oct2018	Nov2018	Dec2018	CY 2018	Jan2019
All markets	-2.0%	7.2%	8.6%	3.7%	0.4%	
Japan	-21.4%	27.4%	25.7%	27.2%	-9.2%	40.6%
Korea	15.9%	8.3%	-6.8%	-8.9%	9.0%	0.1%
Others						
US/HI	17.1%	36.6%	24.2%	6.8%	21.0%	-8.6%
Philippines	-4.0%	12.0%	0.2%	-7.3%	-0.2%	33.3%

Economic Forecast for 2019 (as of 12/27/2018) with UPDATES (as of 03/13/2019)

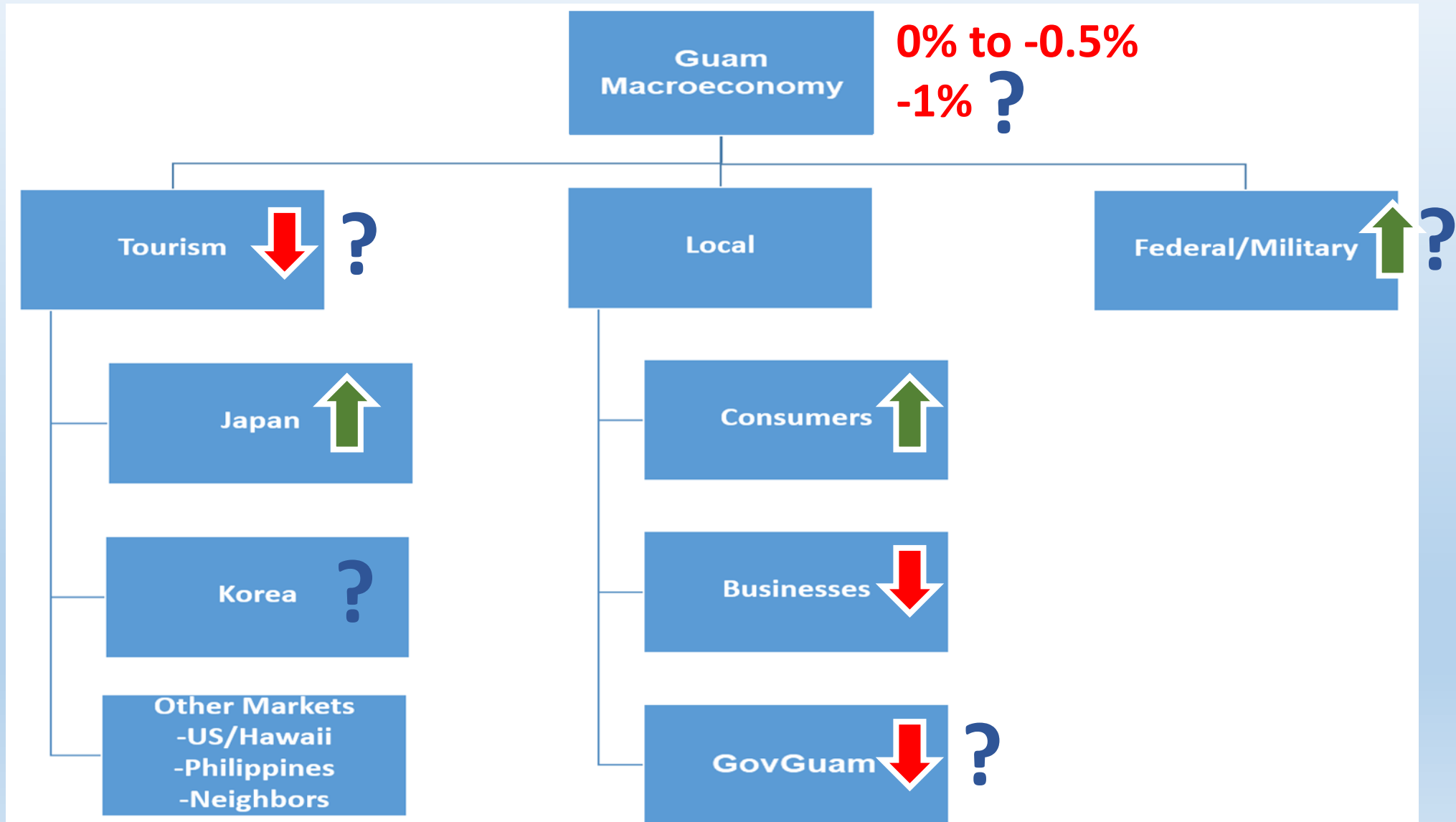
Tourist spending (on-island, per capita) has improved between FY 2018 to FY 2019 Q1

- **Japan: \$527 → \$602**
- **Korea: \$333 → \$541 (lowest \$240)**
- **Philippines: \$508 → \$507**

More access to Guam market

- **Additional Guam-Japan flights via Nagoya and Haneda**
- **Tokyo 2020 → Additional US-Japan flights**

UPDATED 2019



Si Yu'os Ma'ase!

Claret Ruane

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