

Guam

# Minimum Wage Forum

2016

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# THE ECONOMY

presented by

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# An Economic Overview of 2015

- The global economy grew, but only modestly
  - Europe was disrupted by refugees and terrorism
  - The Middle East was disrupted by war, terrorism and extremely low oil prices
  - Africa, Australia and South America were disrupted by falling commodity prices and falling exports
  - Asia's exporting economies were disrupted by weak international economic conditions
  - The United States was disrupted by unbalanced sectoral growth (and decline), misguided fiscal policies and . . . the distractions of a highly unusual presidential campaign



# An Economic Overview of 2015

- Europe doesn't affect us much, except indirectly
- The Middle East affects us a lot because OPEC actively chose to allow oil prices to plummet
- Africa, Australia and South America are on another planet from our economic perspective
- Asia is another story altogether
  - Japan and South Korea affect us through tourism
  - China affects us through regional military tensions
- U.S. housing and financial markets are booming (sound familiar?) while the real economy droops

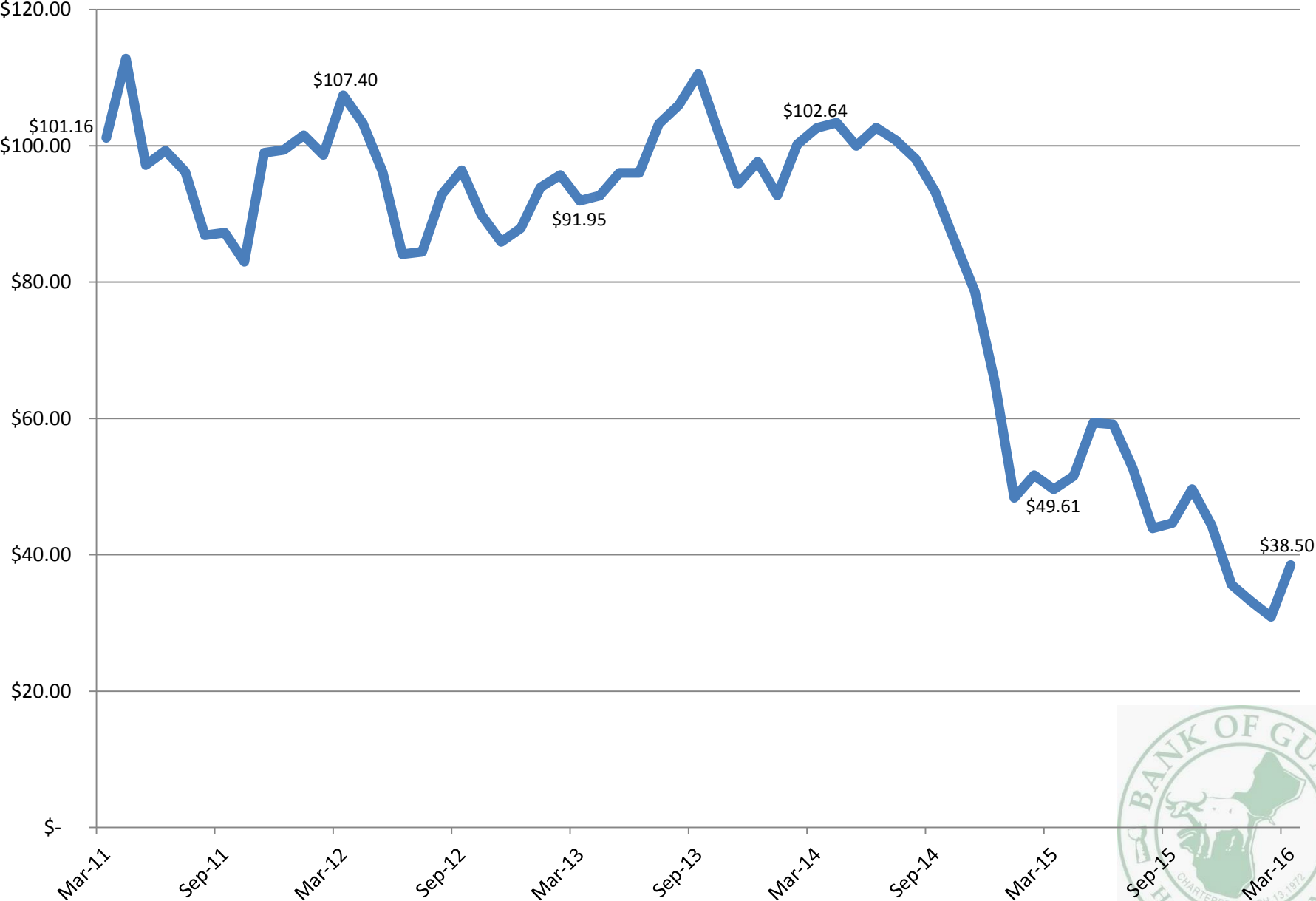


# Oil Prices (and Energy Costs)

- Oil prices have plunged by more than 62% from two years ago
  - Because of price competition and the concurrent increases in production of other fossil sources, all energy prices have ridden the same road downward
- Low energy prices have helped us in many ways
  - We have been saving a *lot* at the gas pump
  - Electric power costs have fallen sharply
  - Shipping costs and airfare have fallen or stabilized
  - Even the goods we buy are produced at lower cost
- The effect on consumer prices tells the tale

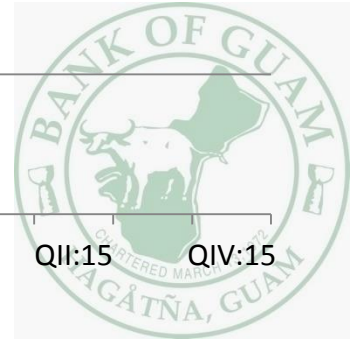
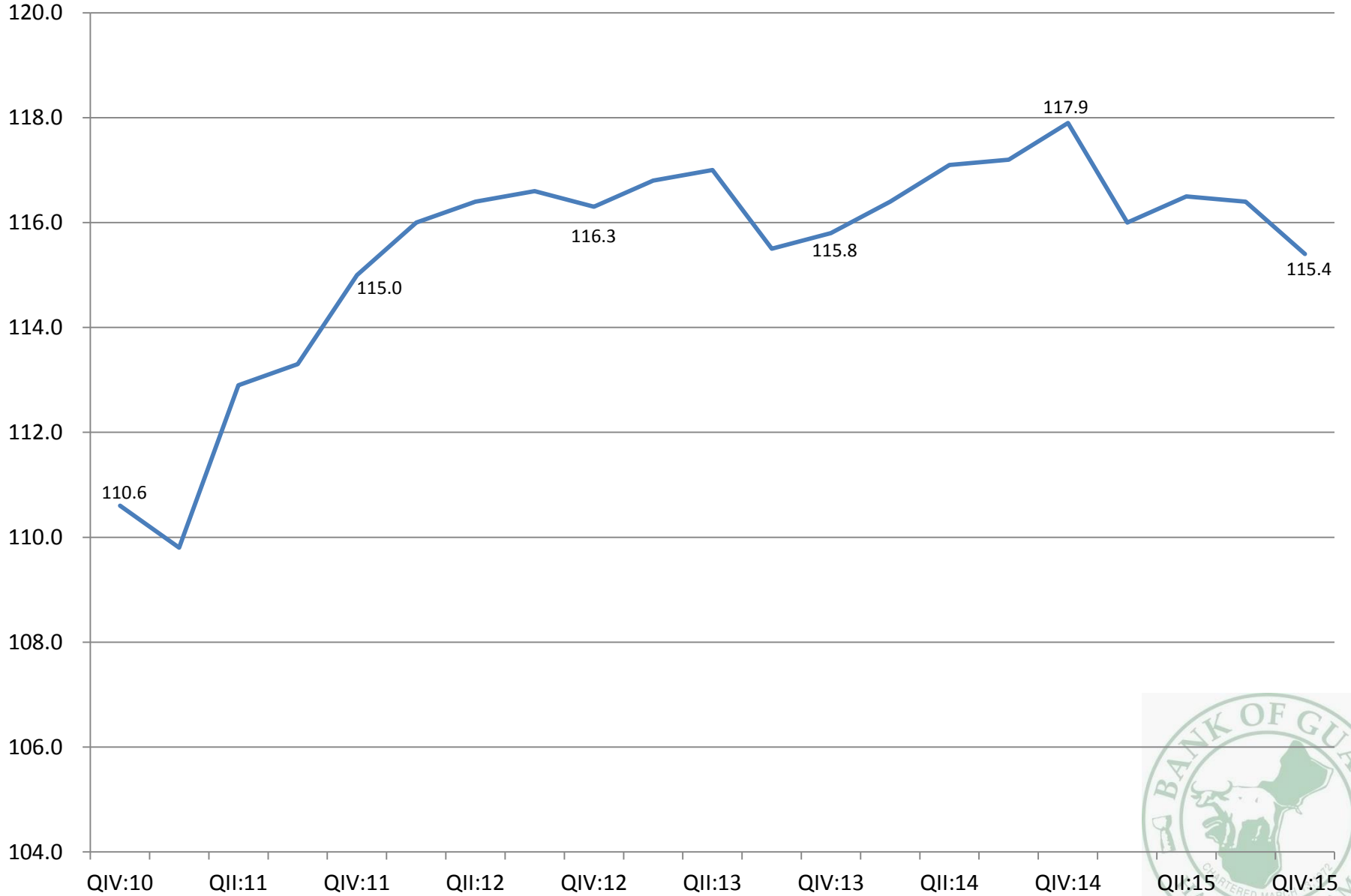


# West Texas Intermediate Crude Oil (\$/bbl)



# Consumer Price Index - Guam

(QIV 2007 base = 100)

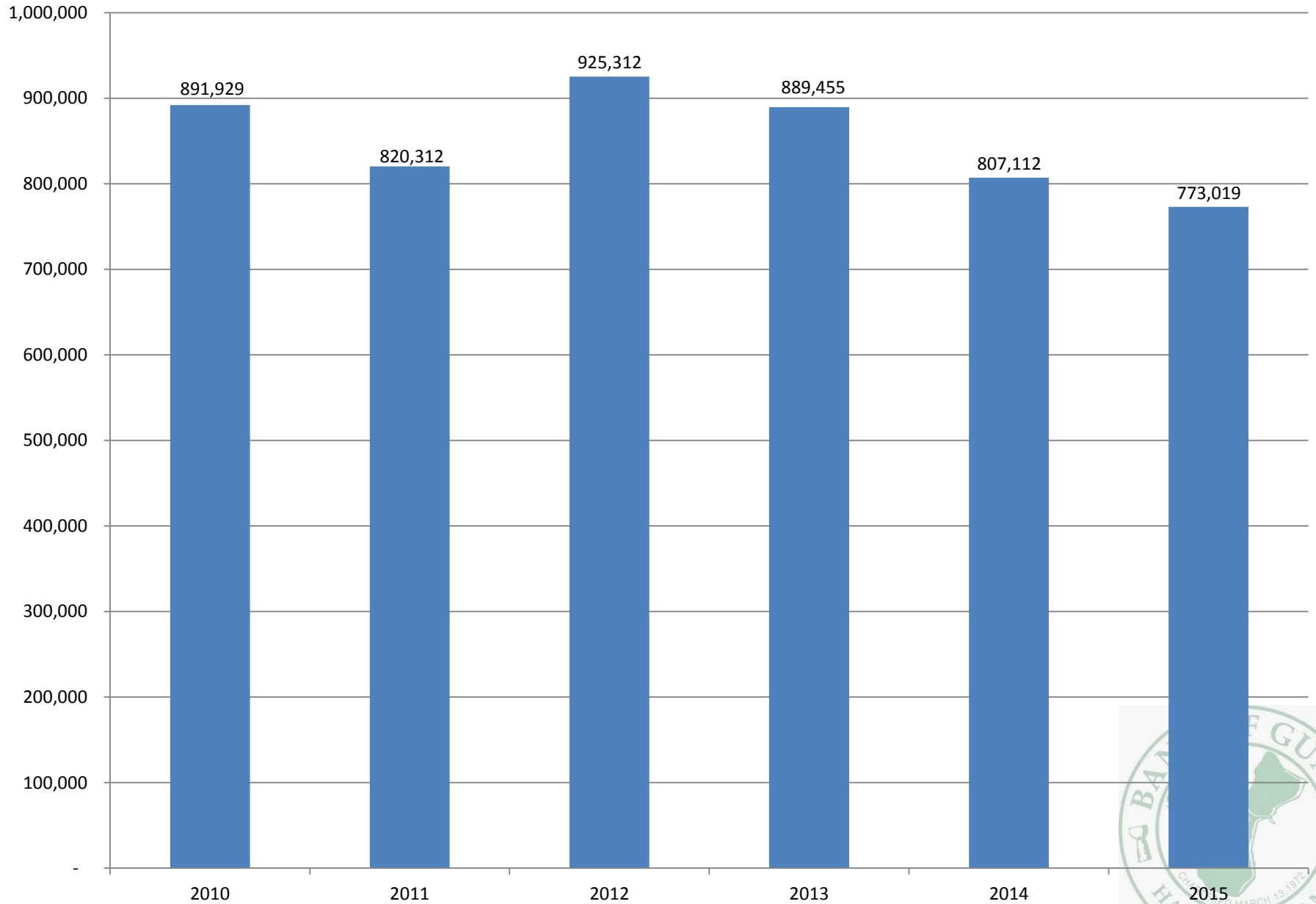


# Japan's Impact in Guam Has Been Fading

- For 40 years, Guam tourism catered to Japan
  - For decades, Japan *was* our market: 80%-plus
  - Investment died with the collapse of Japan's real estate and financial markets in 1990 and '91
  - Visitor arrivals went flat, then dived in 2011
  - After a brief recovery in 2012, they have fallen more
- Finally, a change in policy focus devalued the ¥en to boost exports, just as the global economy started to contract again
  - All signs now point negative for Japan's economy
  - Travel to Guam has become *extremely* expensive



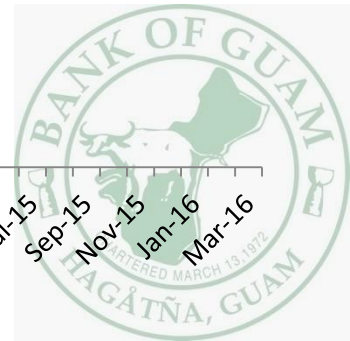
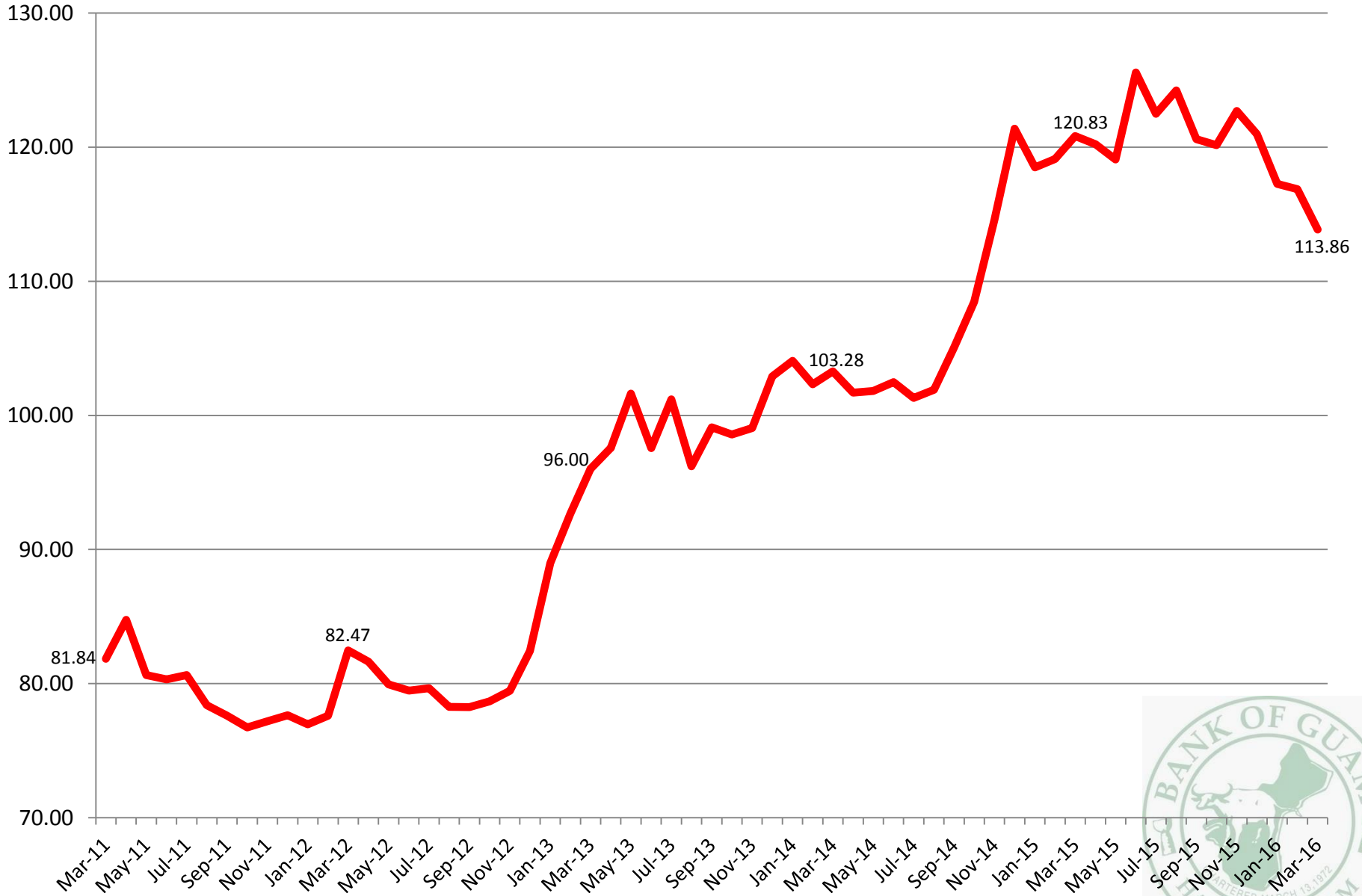
# Japanese Visitor Arrivals





# ¥en per Dollar

As of Close - Friday before the Second Monday of the Month

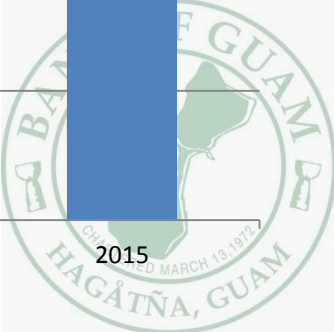
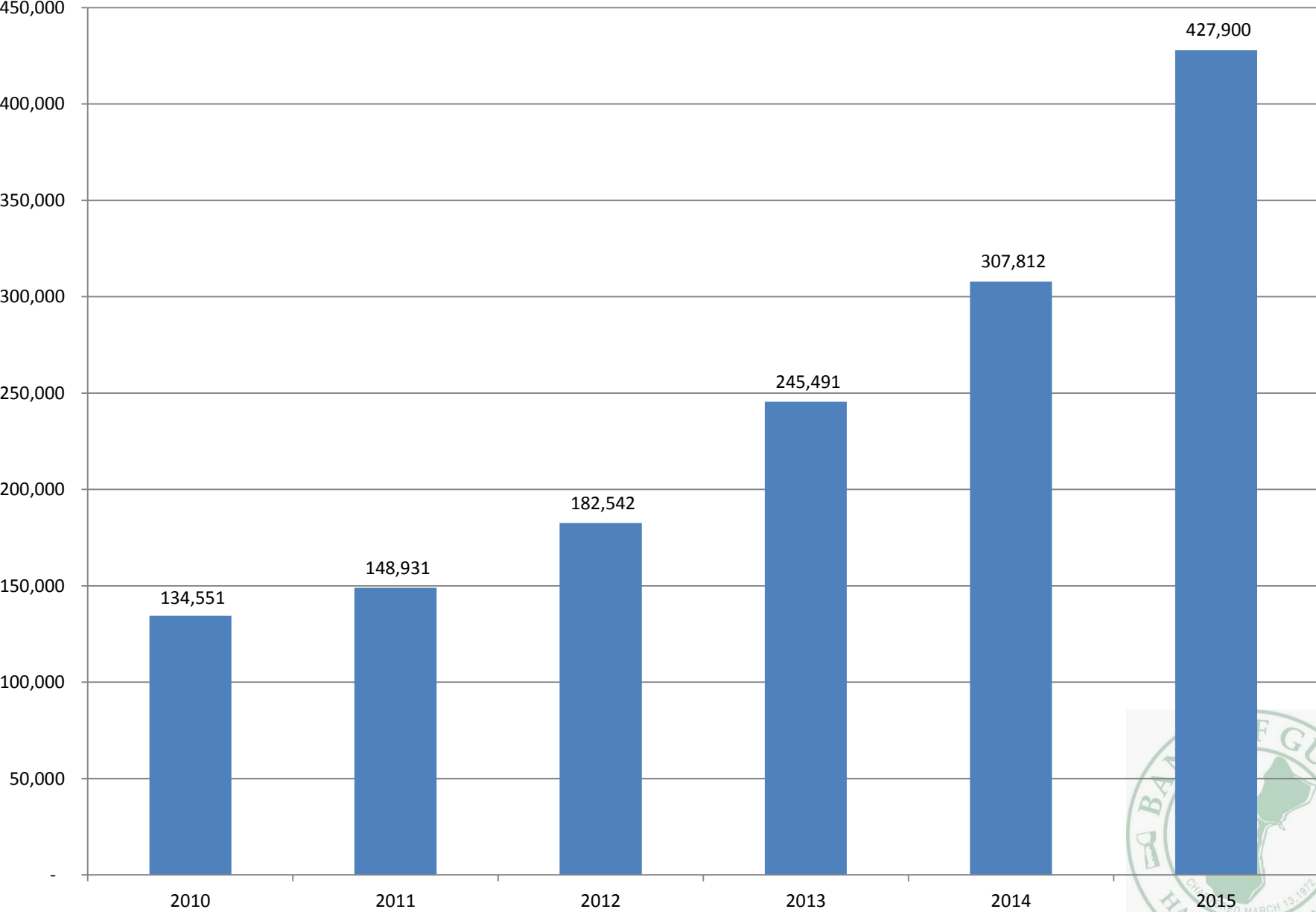


# Korea's Impact in Guam Has Been Surging

- After Japan's meltdown in 2011, the Guam Visitors Bureau shifted promotions to Korea
  - Korean arrivals didn't replace Japan's losses, but they sure helped
  - Since then, Korean arrivals have become substantial
- Korea's economy is stable, growing slowly
- Rising income is driving higher outbound travel
  - Koreans don't want a Japanese tourism experience
  - There's plenty of room for growth in optional tours
- Suddenly, there is the potential for another round of investment, this time from Korea!



# Korean Visitor Arrivals

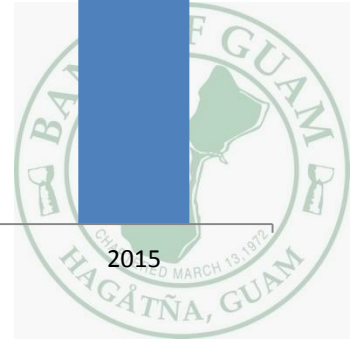
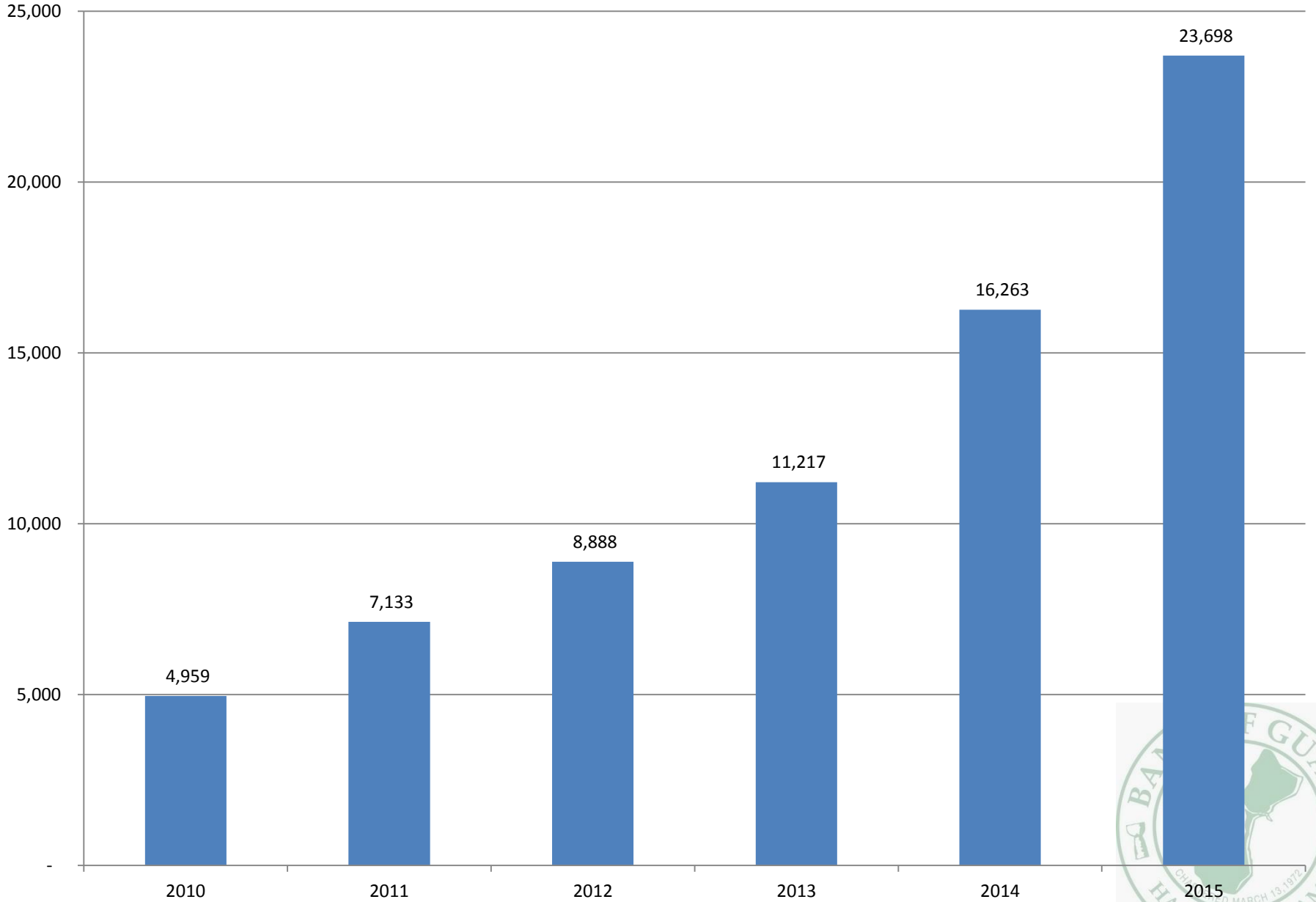


# China Is Another Story Altogether

- From the very beginning, my bet on the Chinese visa waiver has been . . . *NOT!!!*
- China's impact on our tourism industry is weak
  - Growing, but the numbers are still very small
- The impact of China in Guam is mostly through our *other* industry . . . military defense
  - The reason for the U.S. “pivot” from Europe to Asia
  - Chinese activities in the South China Sea signal the prospect of expansionism in the region
  - Both political and economic interests ensure that the U.S. military presence will increase

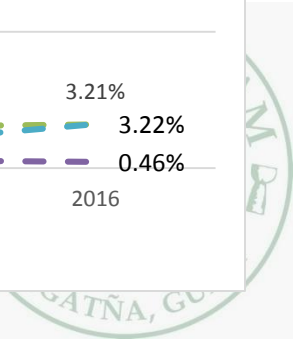
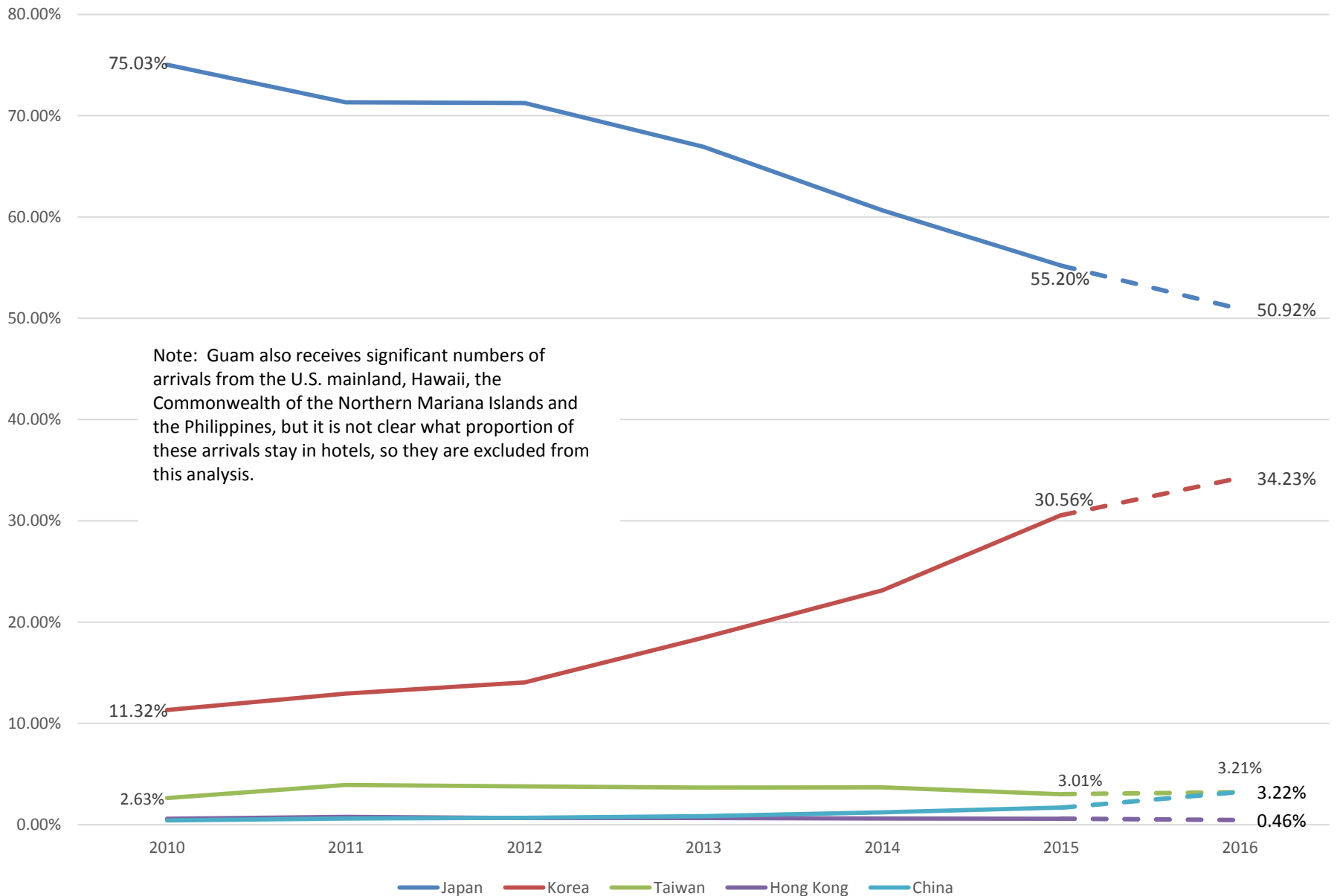


# Chinese Visitor Arrivals



# Major Markets' Shares of Total Arrivals in Guam

(Annual, except Year-to-Date February 2016)

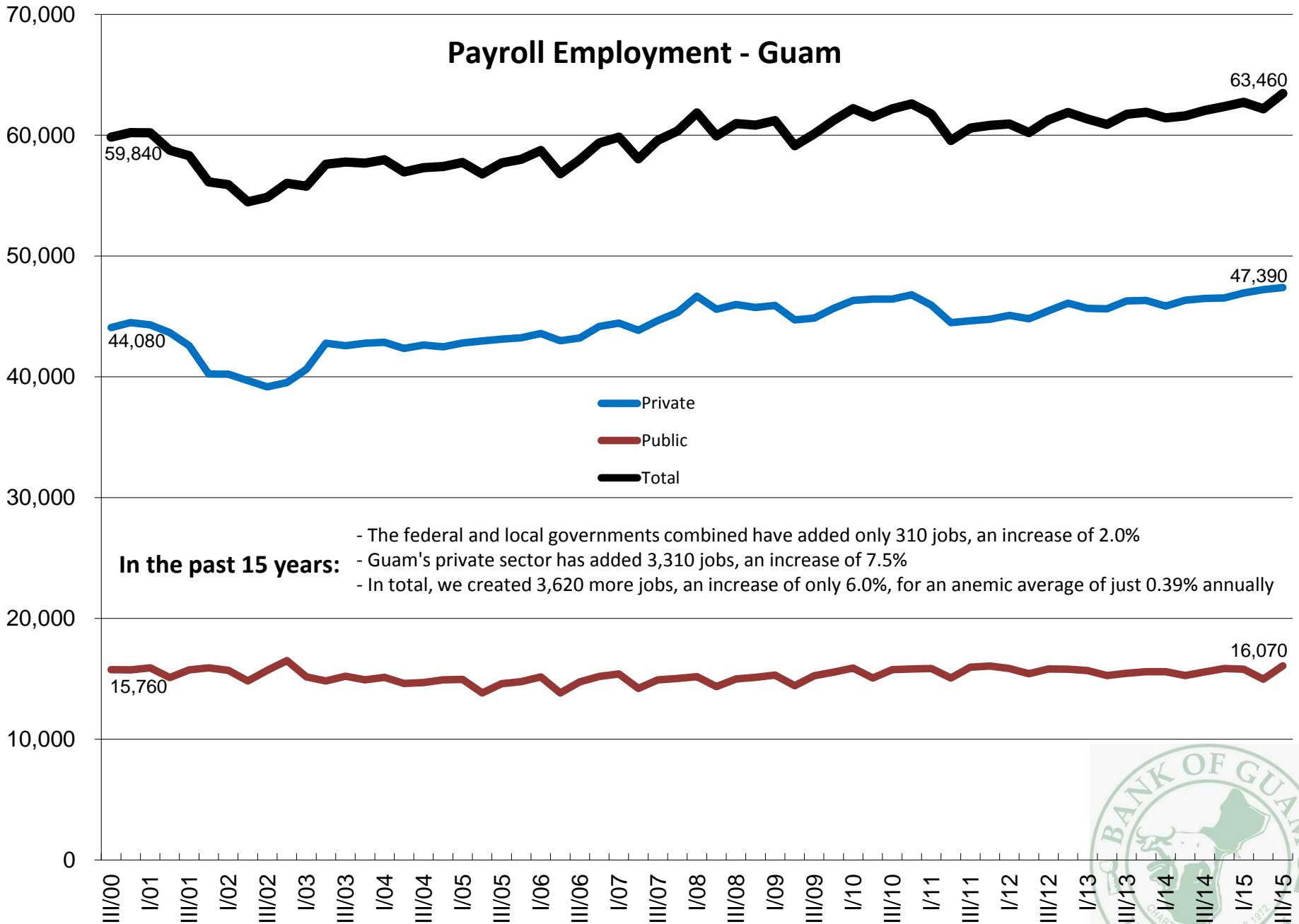


# A Growing Economy Generates More Jobs

- Guam's economy has resumed a growth path in the last few years after 15 years of stagnation
  - This is most clearly reflected in payroll employment
    - Half of our total growth has been in the service industry
      - 15.5% in hotels and 34.5% in other services
    - Hotel payrolls are up by 560 jobs, or 9.7%
    - Retail trade jobs have *decreased* by 820, or 6.7%
    - Wholesale trade jobs have increased by 560, or 29.2%
    - Food manufacturing jobs decreased by 80, or 16.3%
  - Those are our lowest-paid sectors, and on net we have created only 220 new jobs *in 15 years!!!*
  - Fortunately, that's about to change

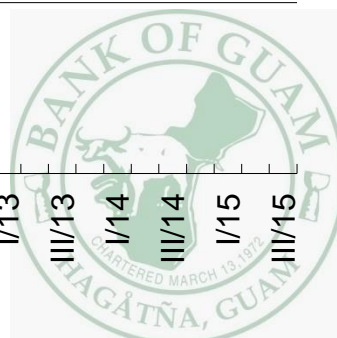


# Payroll Employment - Guam



**In the past 15 years:**

- The federal and local governments combined have added only 310 jobs, an increase of 2.0%
- Guam's private sector has added 3,310 jobs, an increase of 7.5%
- In total, we created 3,620 more jobs, an increase of only 6.0%, for an anemic average of just 0.39% annually





# Conclusion

- I hope that this has been informative (What did you expect in fifteen minutes?)
- I will defer questions until the panel has completed its presentations

