

Economists: Guam's economy growing

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(Photo: PDN file)

Economists told lawmakers Friday the island will continue to see a growing economy, as tourism is projected to increase and construction is expected to pick back up.

As part of Vice Speaker Benjamin Cruz's ongoing hearings over the fiscal 2017 budget, the Committee on Appropriations met with several of Guam's economic experts to discuss the outlook of the island's financial future.

Ana Cid, director of tourism research for the Guam Visitors Bureau, highlighted several areas of growth in Guam's tourism industry, notably a 2.3-percent increase in visitor arrivals from fiscal 2014 to fiscal 2015. Guam

welcomed more than 1.37 million tourists in 2015 — the most so far this century. The previous fiscal year also marked the third straight year Guam broke the 1.3 million mark, Cid said.

The Visitors Bureau is planning to continue capitalizing on the island's current tourism boom. It recently launched a campaign to declare 2017 as the "Year of Love." In fiscal 2016, the agency implemented the "Only on Guam" marketing strategy, emphasizing areas and activities that people can only do on island.

"GVB will continue to build on the success of Visit Guam 2016 by aggressively marketing its signature events, such as Shop Guam Festival, Guam International Marathon, Guam Micronesia Island Fair, BBQ Block Party and Ko'ko' Road race," Cid said.



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Most of the increase in tourists, Cid said, was because of a higher number of Koreans visiting the island. However, Guam experienced a 5.6-percent decline in Japanese tourists. Up until last fiscal year, visitors from Japan made up the largest tourist population — 80 percent.

"Japan now makes up 57 percent of Guam's total arrival mix," she said.

Guam saw growth from other Asian markets, including China and the Philippines which were up by 62.2 percent and 20.6 percent, respectively. European visitors to Guam also increased by 29.2 percent, according to Cid.

The Tourist Attraction Fund collected just under \$36.6 million in fiscal 2015, or 16.2-percent more than in fiscal 2014, Cid said. The money comes from taxes on hotel room and occupancy rates.

GVB projects Guam to see a 1.4-percent increase to 1.43 million total visitors in fiscal 2017. That would result in more than \$40.08 million in hotel-occupancy tax revenue. GovGuam is tracking to collect \$39 million from the hotel tax this fiscal year.



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Employment up

In fiscal 2015, employment grew significantly, according to Chief Economist Gary Hiles. Hiles attributed the increase to the current growth in tourism as well as the opening of the new private hospital and the Dusit Thani Guam Resort.

Hiles said employment has plateaued, primarily because of a slow-down in construction work. Construction has slowed for two reasons, he said: a lack of

defense contracts this fiscal year and the decrease in H-2B visas approvals for foreign workers.

"The impact of the slow-down of H-2B workers has been quite slight so far," Hiles said. "So far the impact on the construction has been noticeable, but still pretty moderate, ... so the growth rate (of jobs) was slow, but it continues. When the projects start to come out again, hopefully the growth rate should accelerate."

The current number of H-2B visa workers in construction — 1,096 — is just slightly more than what Guam had in December 2014 (1,000 workers), Hiles said. In December 2015, there were 1,256 H-2B visa workers, which fell to 1,183 in March.



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Construction

Bank of Guam Senior Vice President Joseph Bradley said the current decline of construction jobs is because several projects just recently ended, while the upcoming projects are just around the corner.

"Gary mentioned seeing a modest decline in the jobs of the construction industry. I think a lot of that is because a lot of the major projects have been completed," Bradley said.

He said he's seeing more trucks hauling construction materials.

"One of my better indicators in the performance of Guam's economy is the amount of rebar I see up along Marine Corps Drive on the back of trucks," he said. "And I'm seeing more of that in the last nine months or so, which is encouraging."

Bradley was hesitant to tell lawmakers Guam's economy was doing well because the last time he made such a statement, Japan had an earthquake the following day, leading to a decline in Japanese tourism to Guam.

Bradley said the current decline in Japanese tourists is attributed to other reasons, such as the value of its currency, the yen.

"It lost an enormous amount of value relative to the dollar, making Guam appear substantially more expensive," Bradley said. "Now that the yen has recovered in value, there's other economic issues in Japan that are creating difficulties."

Bradley noted that Guam's current economy is certainly above average. He had hoped the increase in military activity would have provided a bigger boost than it has, but noted that the Marines haven't officially been relocated yet.



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GovGuam deficit

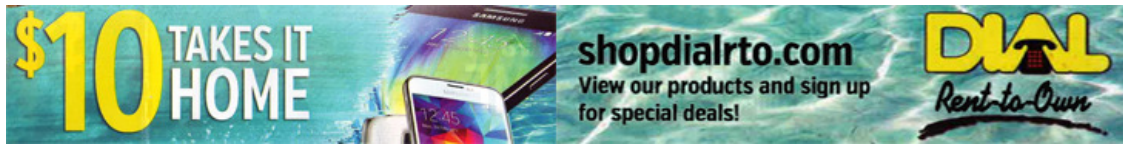
Bradley said he was surprised the government has run up a deficit of \$120 million.

"I'm frankly kind of surprised the deficit there is this year. I don't have a good explanation for that as I don't handle that stuff," Bradley said. "But it does surprise me that those numbers are not more favorable than they are."

Bradley said the deficit can probably be attributed to the Department of Revenue and Taxation's difficulty in collecting past-due collectibles.

"That may be part of the reason for the chokehold this year," he said.

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