

2023 Guam Economic Outlook  
Guam Chamber of Commerce  
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**GUAM'S MACROECONOMY**

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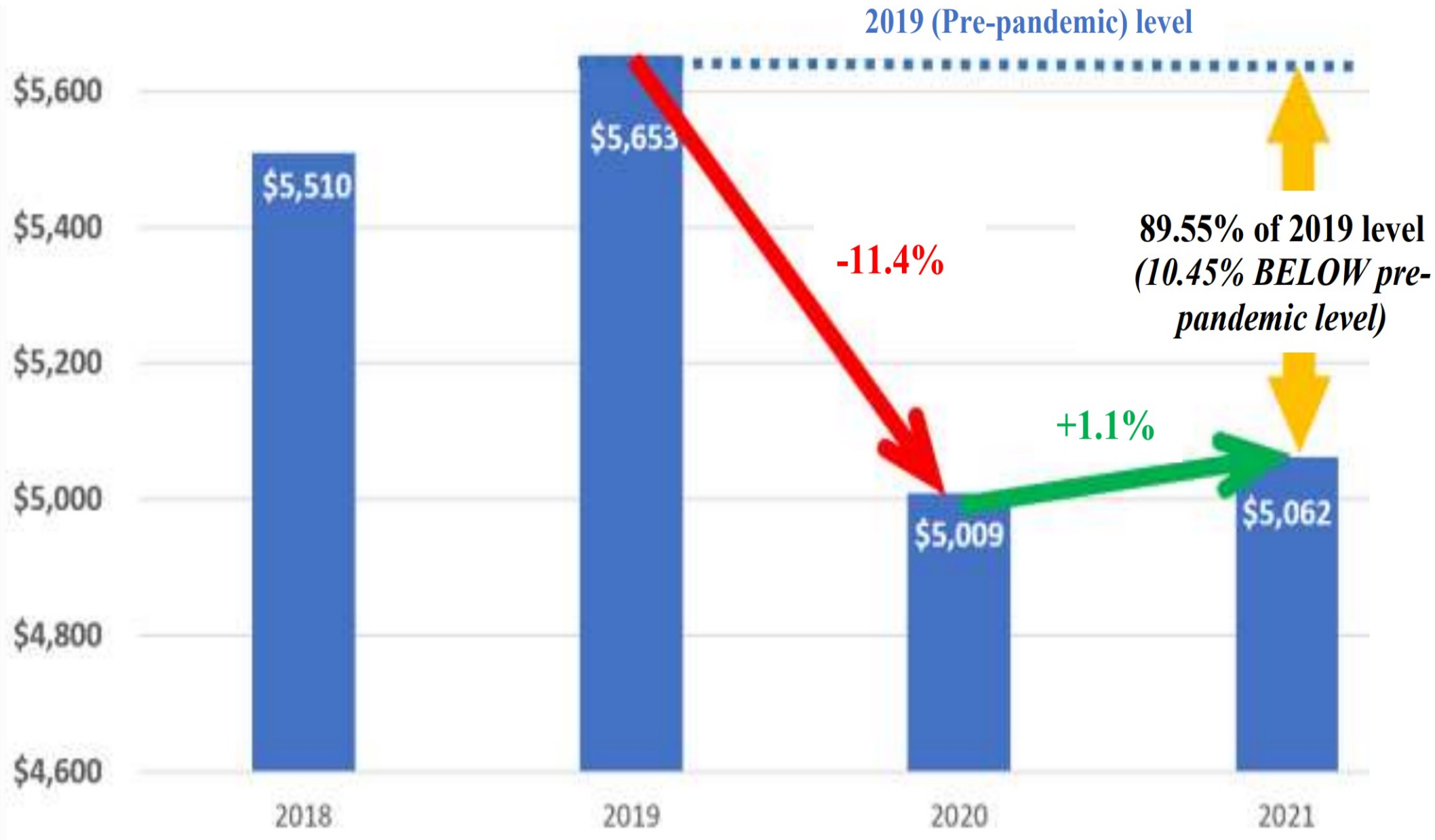
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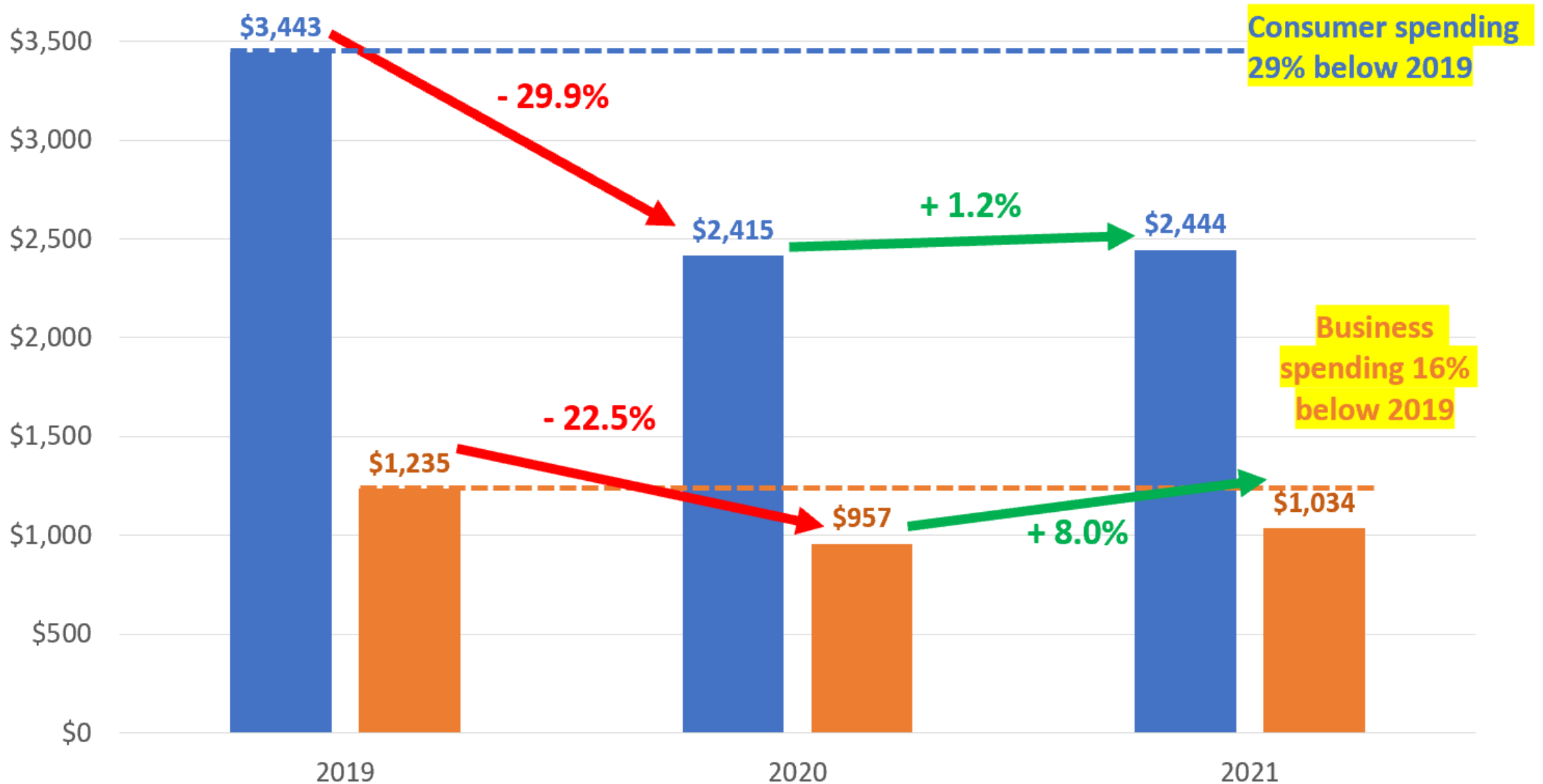
# CAUTIOUS OPTIMISM

- Fellow panelists painted a picture of Guam this year as....
- I choose to proceed with caution
  - Not clear if we have a NEW NORMAL
  - Need convincing, waiting for official 2022 estimate, available in Fall
  - Until then, Guam's past performance continues to be engraved in my mind and provide the foundation for my analysis and forecasts
  - For years, Guam was a "stable" economy = zero growth +/- 1%
  - 2019 was a strong year (+2.6%) but was interrupted by the pandemic
  - Only one year of data (2021) to measure Guam's recovery from the pandemic

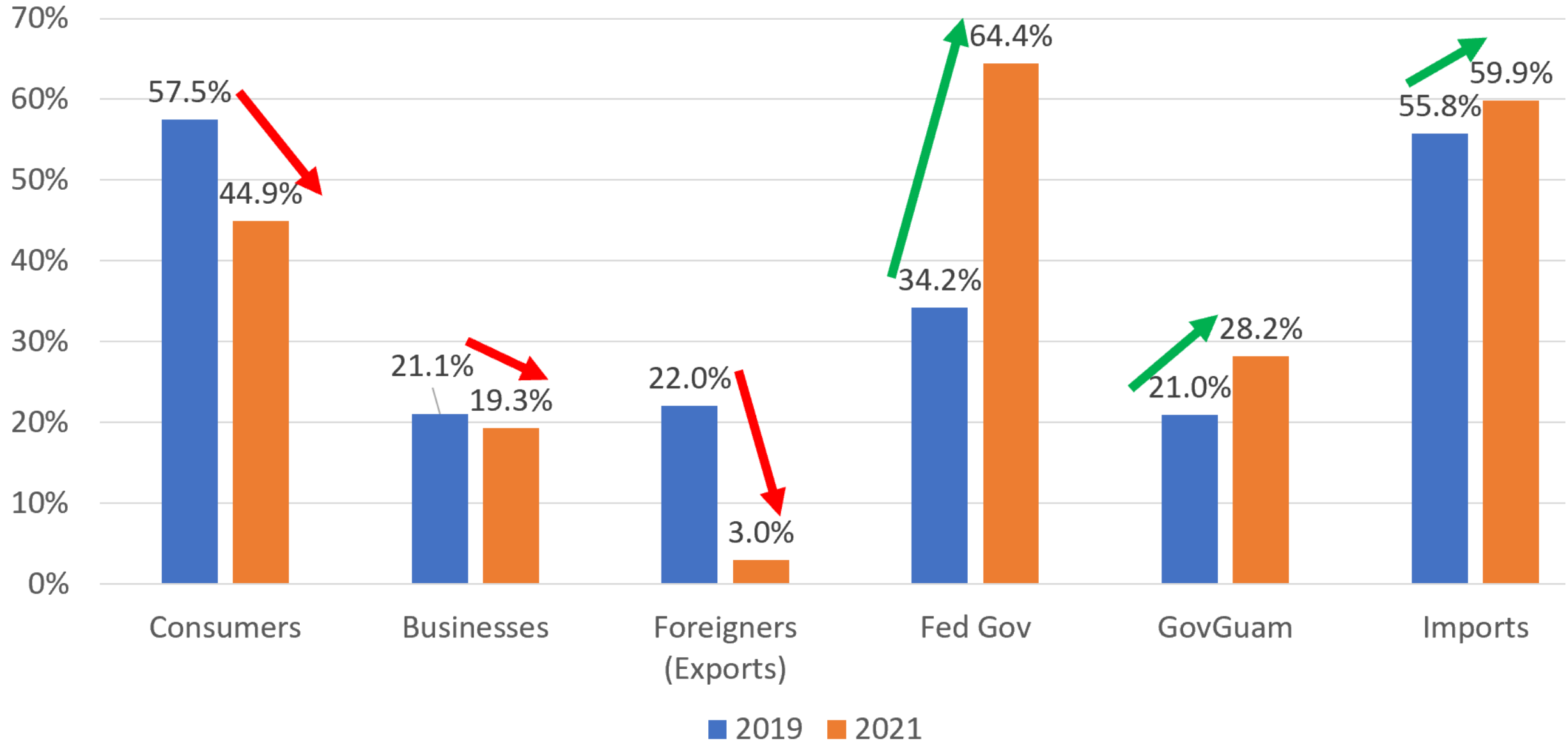
# Guam's Economy in 2021 still 10% below pre-pandemic



# In 2021, private sector far from full recovery



# Public sector increased during the pandemic (% of Guam's economy, real GDP 2021)



# Guam's Economic Performance

## EMERGING PATTERN IN RECENT YEARS

2019 strong year (growth +2.6%), fastest since 2005

2020 worst year (-11.4%)

2021 better than 2020 (+1.1%)

2022 better than 2021 (growth rate  $> 1.1\%$ )

## HISTORICAL (10+ years ago)

Guam's economic growth 1.2% average 2010-2019

# Estimating Guam's Economic Performance in 2022 (Better than 2021 → growth > 1.1%)

## GOOD NEWS

- January-June 2022

Employment UP

Hours worked, hourly rate, weekly earnings in private sector UP  
6.3876%

- Rest of 2022
- Employment UP

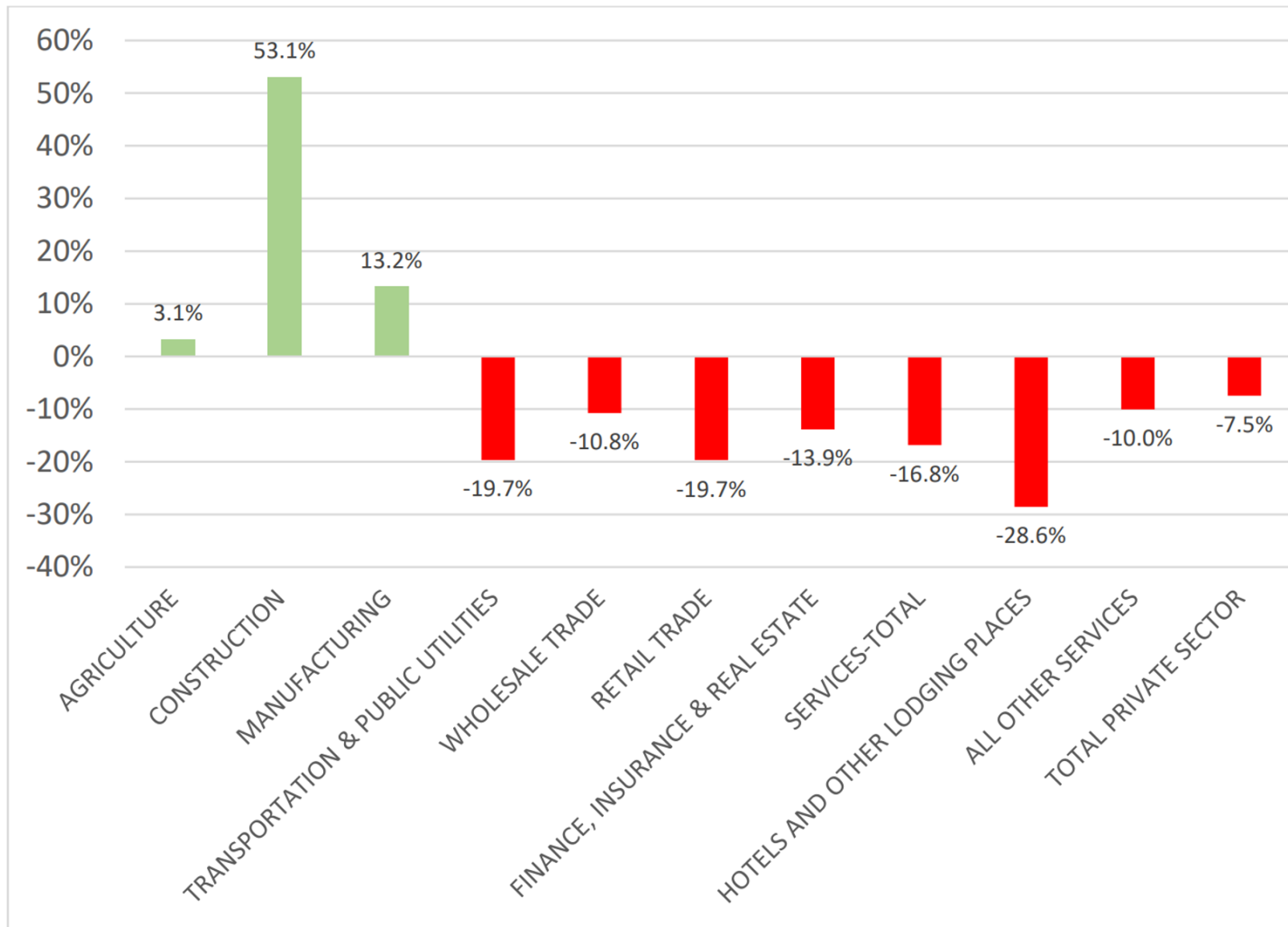
## BAD NEWS

Many sectors not fully recovered  
25,000 individuals potential labor force

CPI-inflation up 6.4029% if you are typical 2007 Guam consumer/household

Waiting for CPI data for Q4, 2022 to see inflation for full-year 2022

# GUAM'S EMPLOYMENT SITUATION¶ JUNE 2022 (LATEST) VS. JUNE 2019 (PRE-PANDEMIC)¶



Source: Guam Department of Labor, Bureau of Labor Statistics (2022 October). CES Historical Table 1993-2022



# Estimating Guam's Economic Performance in 2022

## OTHER FACTORS TO CONSIDER

- **Tax collection (FY2022 vs FY2021)**
  - individual income taxes +24.2%, total income taxes -2.6%
  - GRT +11.5%, Federal sources of revenue (Section 30) +16.5%
- **Visitor arrivals up (272,000 in Jan-Nov 2022)**
  - visitor spending on Guam up \$275M --> GRT up \$14M (average spending not clear, last exit survey Q1 2020)
  - more hotel accommodation -HOT up
- **Overall federal spending down \$5.215B in FY2021 to \$2.893B in FY2022**
  - non-defense spending DOWN \$4.5B to \$2.1B (pandemic \$ DOWN, non-pandemic \$ (BIL 2021 and IRA 2022) UP
  - defense spending UP \$587M in FY2021 to \$765M in FY2022 to \$1.7B in FY2023

*Note: funds have to get to Guam to impact local economy (share of local businesses in federal contracts)*

# Estimating/Forecasting Guam's Economic Growth

- Stronger than 2021 (growth rate  $> 1.1\%$ )... how much higher?  $2\%???$ 
  - In 2021, economy still 10% below 2019 level.
  - If  $2\%$  growth per year in 2022 and coming years, need another 4 years to get back to 2019

→ Full recovery in 2026

- Is  $2\%$  a year reasonable?
  - 2019 a particularly strong year with  $+2.6\%$  growth
  - 2021 could have been a stronger growth year but only  $+1.1\%$
  - Guam's historical performance as "stable"... zero growth + or  $- 1\%$ . OLD NORMAL

→ OLD NORMAL = NEW NORMAL?...  $1\%$  growth

- **Guam's growth in 2023**
  - Old normal/historical...  $1\%$
  - Stronger than 2022?  $> 1.1\%$
  - Will not replicate 2019?  $< 2.6\%$

→ Between  $1\%$  and  $2.6\%???$