

Fifth Annual  
**Guam Affordable Housing Symposium**

**Economic  
Market  
Conditions**

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Bank of Guam

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# Globally and Nationally

- Despite a lot of optimism, the global economy is still not performing as well as it should
  - “Austerity” during a recession is the wrong “solution”
  - Capital investment is still very weak, and capacity utilization is generally well below expansion levels
- There are signs of improvement in the U.S. economy, but there are a lot of imbalances
  - Housing prices are surging (again)
  - The unemployment rate is still quite high
  - Inflation is tame, to say the least

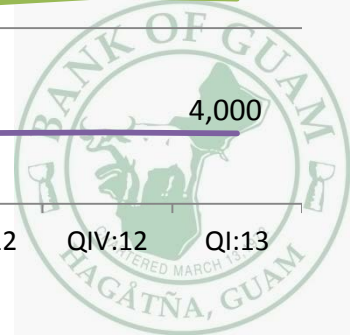
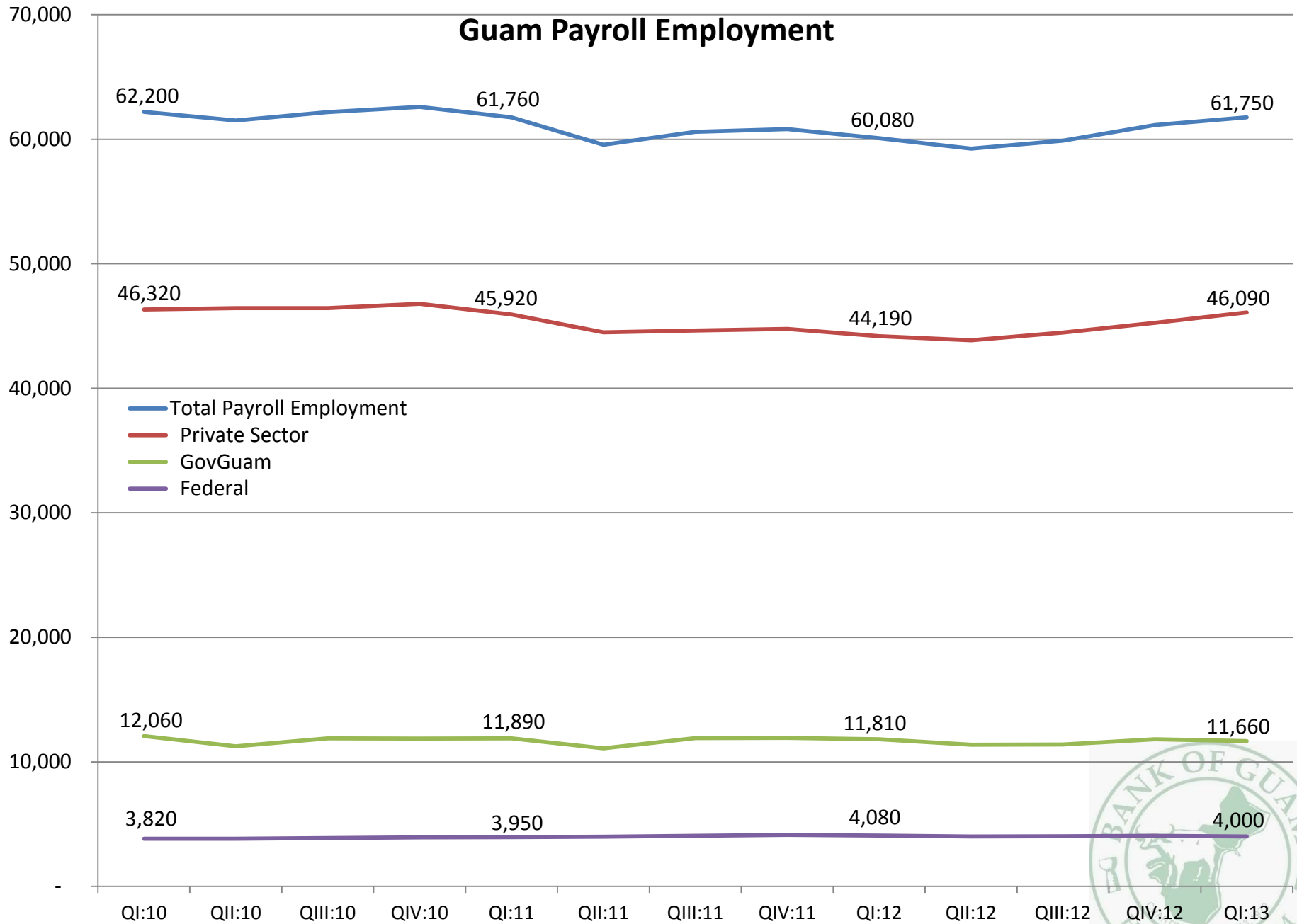


# Regionally and Locally

- China's economy has taken a step down
- Japan's economy is actually (*finally!*) improving
- South Korea has reverted to slower growth
- The Philippines is having some success
- Tourism is recovering (slightly) in the CNMI
- Guam continues to be . . . challenged
  - Payroll employment has recovered somewhat



## Guam Payroll Employment

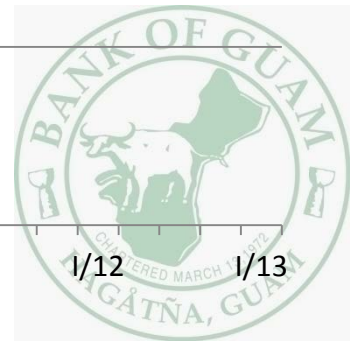
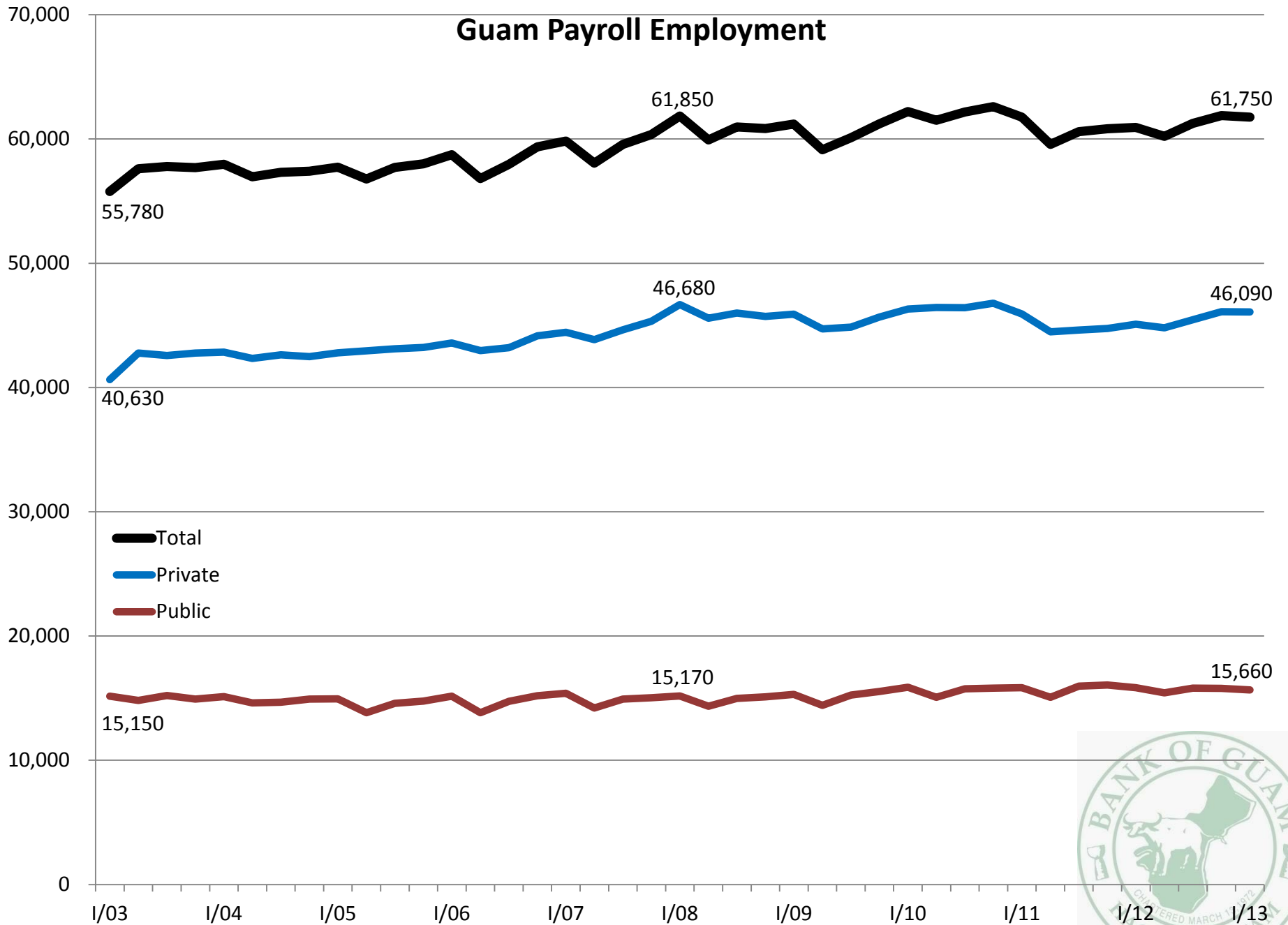


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  - Payroll employment has recovered somewhat, but only to where it was five years ago
    - Total employment is up 5,970 in 10 years, *down* 100 in five
    - Private jobs were up 5,460 in 10 years, but *down* 590 in five
    - Government jobs up 510 in 10 years, and *up* 490 in five



# Guam Payroll Employment

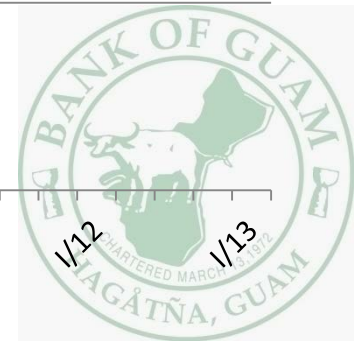
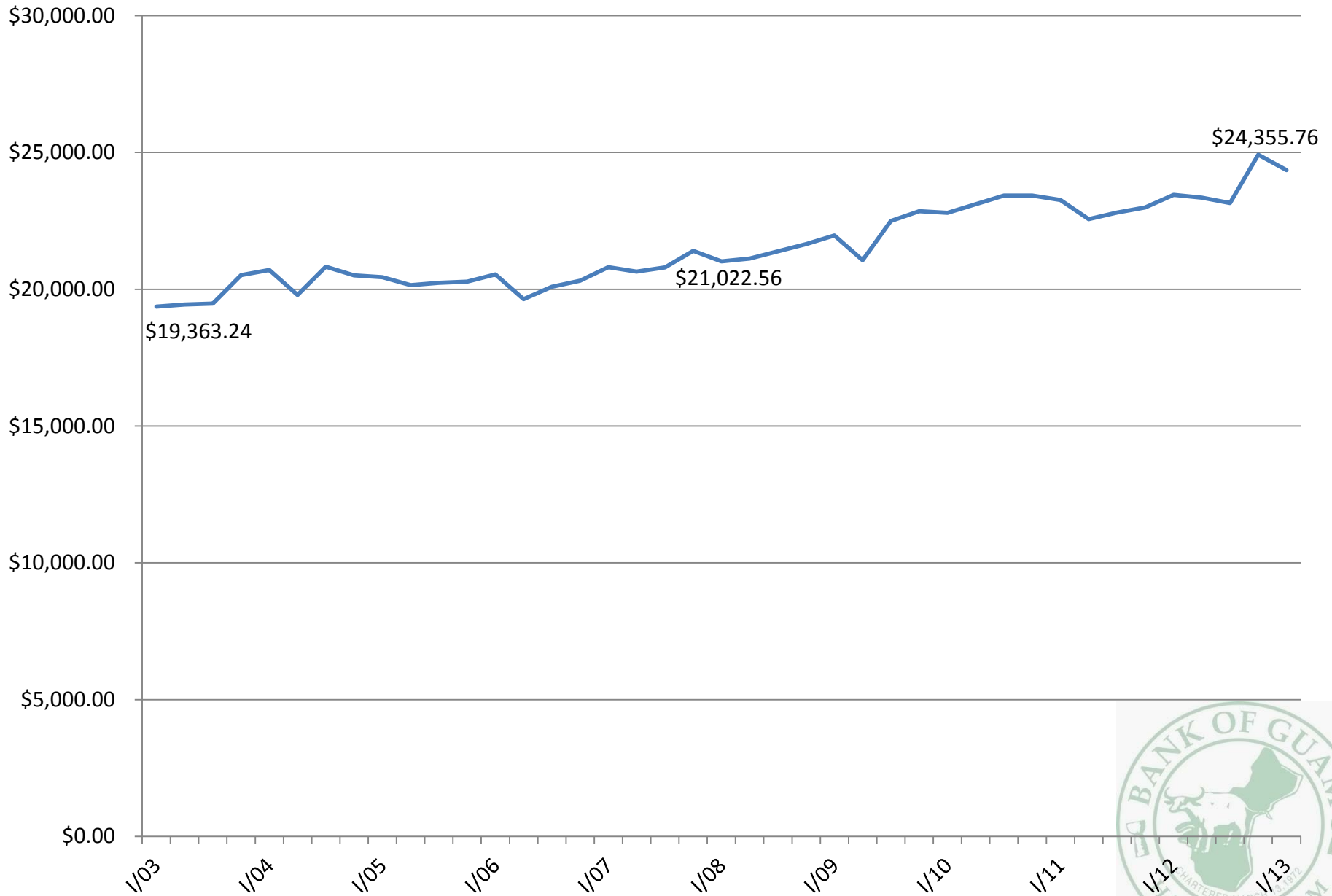


# Locally

- Average weekly earnings for private sector production workers were up 25.8% in 10 years and up 15.9% in the last five years
  - Annualized, from \$19,363 in the first quarter of 2003 and \$21,023 in the first quarter of 2008 to \$24,356 in the first quarter of this year



## Average Annual Labor Income, Private Production Workers





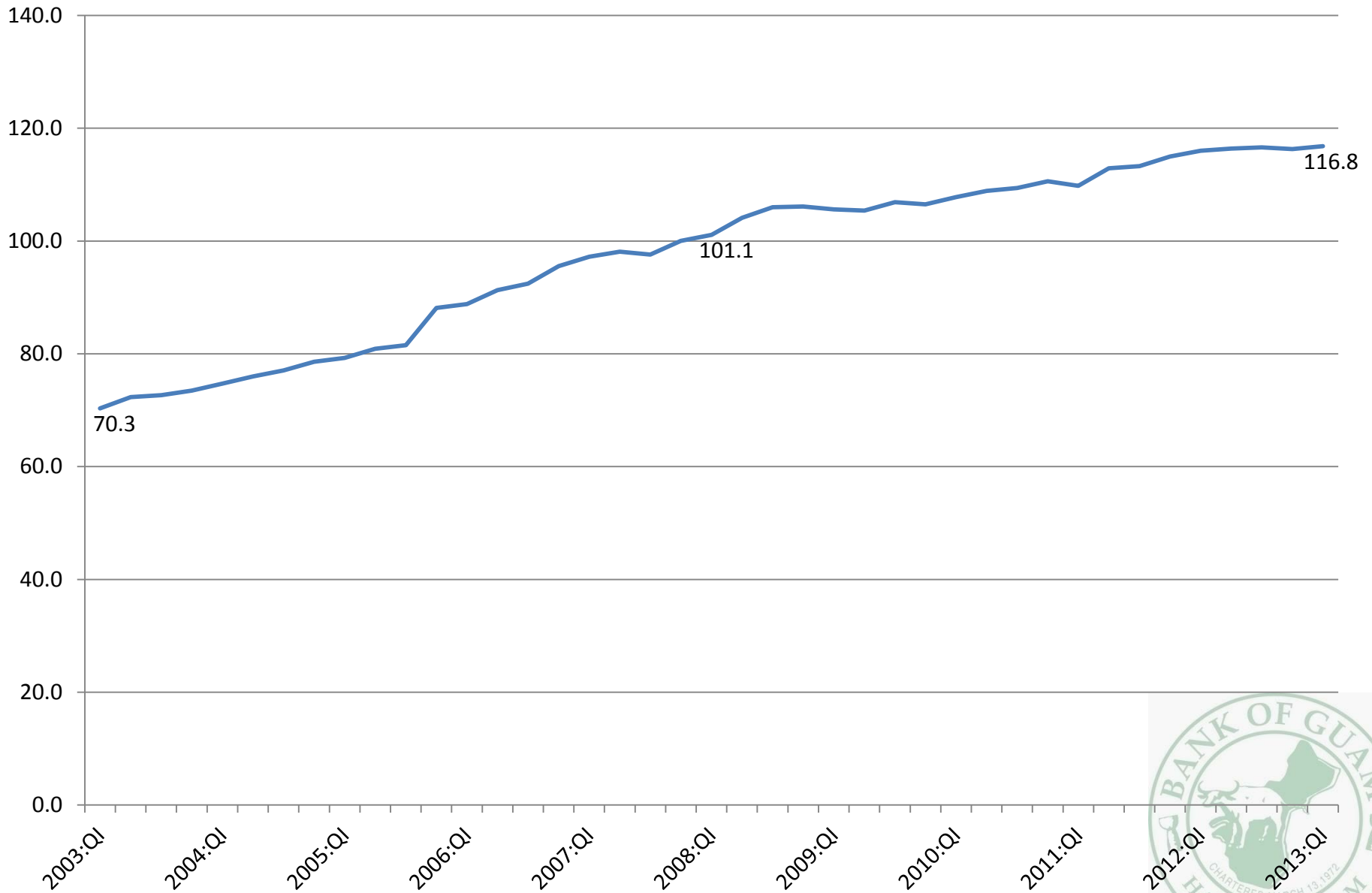
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# Guam CPI

QIV 2007 Base Period = 100

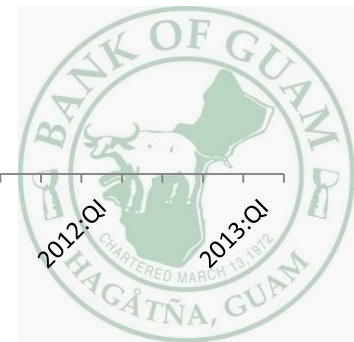
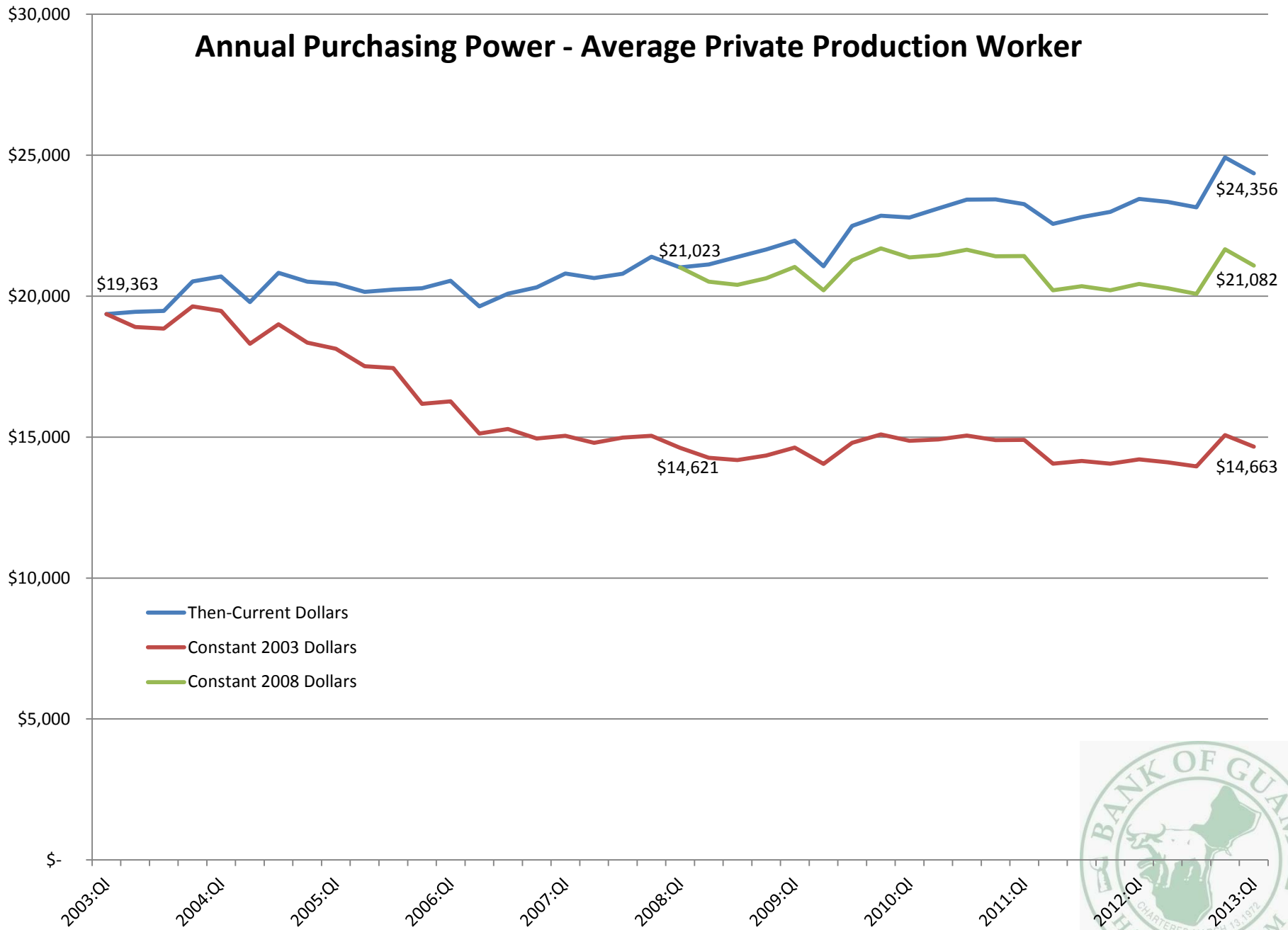


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- Unfortunately, consumer prices have increased by 66.1% in 10 years and 15.5% in five years
  - So, *adjusted for inflation*, the average private production worker's labor income has *fallen* by 24.3% in 10 years, but is *up* by 0.3% (about \$59.35) in the last five years



## Annual Purchasing Power - Average Private Production Worker



# Locally

- Year after year, this symposium focuses on housing prices and less costly construction techniques and large-tract land prices
- Those are certainly good ways to make housing more affordable
- What is missing is the other side of the equation
- Higher *income* would allow many of the residents of Guam to be able to afford better housing
- Perhaps that should be the focus, or at least part of the focus, going forward

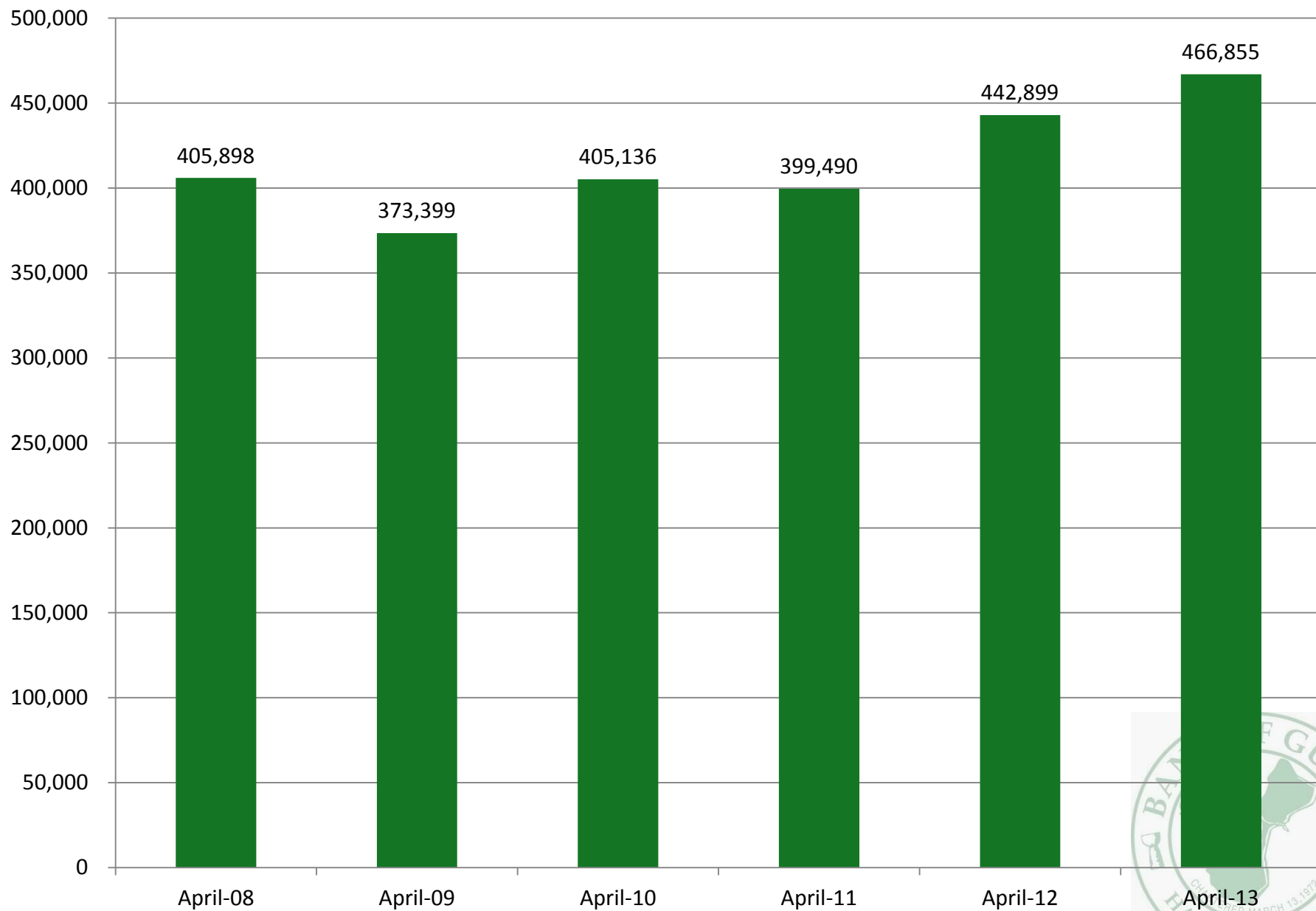


# Locally

- The good news is that our visitor arrival figures are up substantially (5.4% through April, compared to last year)



## Year-to-Date Arrivals



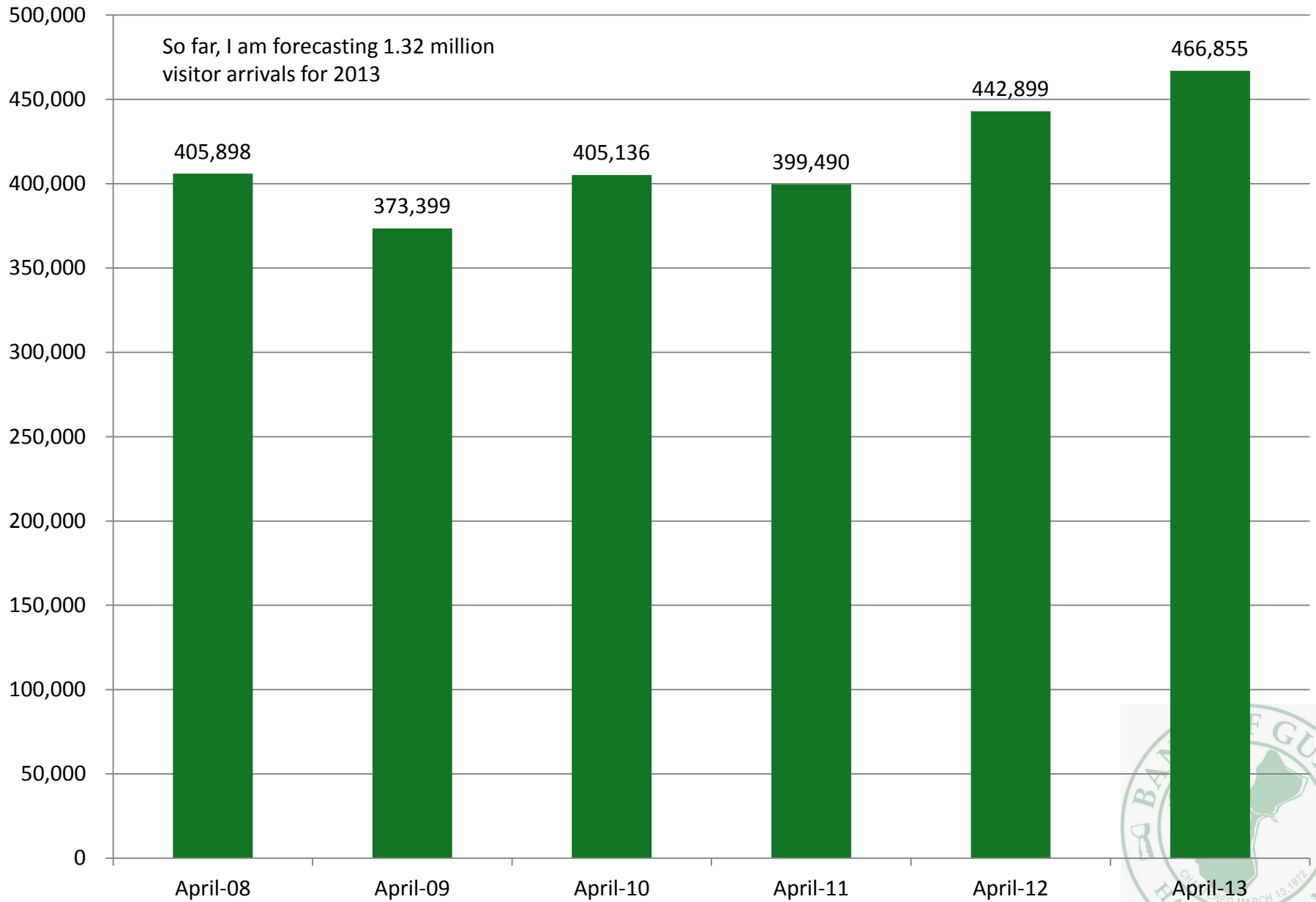
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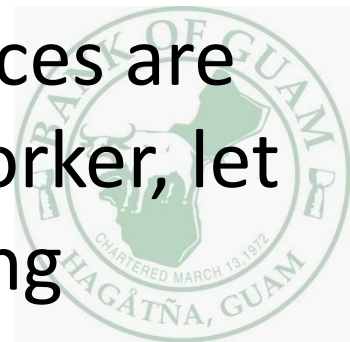
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- We are on track for a modest increase from 2012, which was our best year since 1997
  - As occupancy rates rise, we may see more hotel construction, and construction has always been the primary mover in Guam's business cycle
- The uncertainty about military construction, though, makes it very difficult to make reliable predictions about the rest of our economy



# Summary

- The global economic recovery, such as it is, is unstable and could falter at any time
- The U.S. and our Asian neighbors are coasting
- Our tourism industry is doing better, and further improvements can be expected
- Sequestration and resistance in Congress to the military buildup here may offset tourism gains
- Payroll employment is in the doldrums in Guam, and stagnant wages along with higher prices are making it more difficult to the average worker, let alone those without jobs, to afford housing



Thank you for your time and  
attention

