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JUN 25 2018

GL#34-18-2016
Speaker Benjamin J.F. Cruz

JUN 25 2018
Time: 1146 AM LBM File No.
Received By:

The Honorable Benjamin J.F. Cruz
Speaker
I Mina'trentai Kuattro Na Liheslaturan Guåhan
155 Hesler Street
Hagåtña, Guam 96910

**Subject: REPORTING REQUIREMENT PURSUANT TO PUBLIC LAW 29-113**

Dear Speaker Cruz:

*Hafa Adai*. The Bureau of Statistics and Plans (BSP) submits the enclosed semi-annual Summary Report of Federal/Military Contribution and Economic Impact regarding the impact of federal expenditures on Guam. We also enclose the Fiscal Year 2019 Economic Outlook as contained in the Governor's FY2019 Executive Budget which was compiled with the assistance from Department of Labor, for your information.

Please contact me at 472-4201/3 or Albert Perez, BSP's Chief Economist, should you require information on the Summary Report.

Sincerely,

Carl V. Dominguez
Director

2018 JUN 25 PM 2:13

Enclosures (2)

2016

## SUMMARY REPORT OF FEDERAL/MILITARY CONTRIBUTION AND ECONOMIC OUTLOOK

Public Law 29-113, Chapter 13 of Title 2, Guam Code Annotated Section 13109(a)(2)
Bureau of Statistics and Plans, Office of the Governor

| FEDERAL/MILITARY CONTRIBUTION | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Contracts[1] | $750,649,783 | $784,486,697 | $642,767,779 | $807,045,308 | $218,156,518 | NA |
| Grants[1] | $161,344,373 | $190,824,073 | $201,423,982 | $145,636,637 | $51,757,804 | NA |
| Direct Payments[1] | $176,561,133 | $178,356,150 | $186,251,451 | $282,872,436 | $234,603,706 | NA |
| Loans[1] | $3,555,674 | $144,694 | $937,415 | $897,718 | $236,271 | NA |
| Other Finacial Assistance[1] | $550,616 | $648,003 | $1,748,247 | $14,704,034 | $8,730,681 | NA |
| **ECONOMIC IMPACT** | | | | | | |
| Construction Permits[2] | $406,172,000 | $226,013,000 | $434,277,000 | $436,833,000 | $393,902,000 | $414,856,100 |
| Employment[3] | 61,850 | 63,640 | 63,140 | 62,720 | NA | NA |
| Unemployment Rate[3] | 7.60% | 6.9% | 5.4% | 5.8% | NA | NA |
| General Fund Revenues[4] | $647,563,489 | $647,748,591 | $685,742,547 | $681,271,974 | $688,559,103 | NA |
| Tourism Arrivals[5] | 1,341,171 | 1,372,531 | 1,511,065 | 1,559,395 | 1,500,700 | 1,529,200 |
| Average Change in Price Level[6] | 0.8% | -0.9% | 6.0% | 2.5% | NA | NA |
| Population Projection[7] | 161,001 | 161,785 | 162,742 | 163,875 | 165,177 | 166,658 |
| Guam Real Gross Domestic Product[8] | $5,157,000,000 | $5,182,000,000 | $5,200,000,000 | NA | NA | NA |

Footnotes:

1) Source: http://www.usaspending.gov June 7, 2018 (Direct Payments added, revised information provided)
2) Source: Department of Public Works Fiscal Year Totals (FY 2018-19 are estimates)
3) Source: Guam Department of Labor Employment Reports (2013-17 September); Unemployment Reports (September 2013-2014, 2016-2017; June 2015)
4) Source: Department of Administration, FY2013-2016 (Office of the Public Auditor - audited), FY2017 & FY2018 adopted, FY2019 Indeterminate
5) Source: Guam Visitors Bureau Fiscal Year Totals (FY2018-19 are estimates)
6) Source: Bureau of Statistics and Plans Consumer Price Index 4th Quarter Reports
7) Source: Guam 2010 Census of Population and Housing (2011-current are projections)
8) Source: US Bureau of Economic Analysis, US Department of Commerce

## Economic Outlook for Guam
## Fiscal Year 2019

### SUMMARY

The Outlook for Guam's economy in Fiscal Year 2019 is a continuation of a general trend of modest growth and stability in an economic environment characterized by growth both in the U.S. and internationally. The outlook is tempered by possible downside risks.

The forecast is for continued economic expansion as measured by growth in Gross Domestic Product, which has occurred every year since 2006 but has been slowing in recent years. Expansion is expected to be driven by near-record tourist arrivals, increased visitor expenditures and a rebound in construction. The likelihood of increased construction activity is supported by high dollar amounts of building permits and DOD construction contracts associated with preparation for the Marine Corps relocation from Okinawa; a backlog of funded projects in all sectors; and eased restrictions on foreign worker importation which should reduce labor capacity constraints.

Downside risks to the favorable outlook are present. Long-standing international tensions with North Korea and others in the region may flare, impacting tourism and the overall economy. Recent airline capacity reductions constrain short-term growth prospects. Further delays to a myriad of construction projects could materially alter the forecast. Recent U.S. Federal income tax changes will have both positive and negative effects on Guam's economy.

### GLOBAL ECONOMIC OUTLOOK

According to a January 2018 International Monetary Fund report, "The cyclical upswing underway since mid-2016 has continued to strengthen. Some 120 economies, accounting for three quarters of world GDP, have seen a pickup in growth in year-on-year terms in 2017, the broadest synchronized global growth upsurge since 2010. Among advanced economies, growth in the third quarter of 2017 was higher than projected in the fall, notably in Germany, Japan, Korea, and the United States…The stronger momentum experienced in 2017 is expected to carry into 2018 and 2019, with global growth revised up to 3.9 percent for both years".

Goldman Sachs Research's Chief Economist expects global growth will reach 4% next year. Chief Asia Pacific Economist Andrew Tilton sees another year of strong growth ahead for the region. South Korea and Japan, which are Guam's primary source market of tourists, expect growth ahead. South Korea's economy is set to expand 3% in 2018 according to the finance ministry in its annual outlook. "South Korea's annual per capita income will reach $32,000 by the end of 2018 should its currency continue to trade at around the level of 1,083 won against the U.S. dollar…", the finance ministry said in a Bloomberg report. "That would put the country above the $30,000 threshold regarded as marking the ascension to a developed economy". The Government of Japan projects 1.8% Real GDP in fiscal 2018 and the growth through March 2019 will be led by domestic demand such as capital investment and personal spending. The World Bank maintained its forecast for China's GDP growth in 2018 and 2019 at 6.4 percent and 6.3 percent, respectively.

potential, "This world region is expected to produce a 47 percent increase in visitors by 2021. Japan, the largest Asian market and second-largest overseas market, is forecast to have a small increase in visitor volume in 2021 compared to 2015, but its path includes a decline in 2016 and no growth in 2017. Conversely, high growth rates and large growth volumes are expected in 2016 for China, India, South Korea and Taiwan. Similarly, these four countries are expected to have among the largest total visitor volume growth of any country from 2015 to 2021. More importantly, China should become the top overseas origin market and third overall behind Mexico or Canada by the end of 2021. India is expected to produce 847,000 additional visitors (+72%), and South Korea should produce an additional 758,000 visitors (+43%).

## CONSTRUCTION

Construction currently accounts for about nine percent of Guam's economy in terms of civilian employment. It is also a strong leading indicator of the economic activities to come including employment. As the industry is subject to large cyclical variation, activity changes can have a measurable effect on the economy.

To forecast future construction activity the dollar amount of building permits issued provide an excellent leading indicator for the civilian sector and U.S. military construction contracts awarded for the defense sector. The combined total of permits and military contracts is a strong indicator of construction activity levels in the following year or two.

Construction employment declined somewhat in 2015 from roughly seven to six thousand workers due to several factors. These include completion of major projects, reductions due to lower military construction appropriations in 2015, delays in contracting due to a procurement protest and environmental site work and reductions due to the non-renewal and repatriation of the majority of foreign workers employed under H-2b visas. Construction declined further through 2017 due to workforce constraints.

Nevertheless, there are several compelling reasons why construction activity and employment is likely to increase in 2018 and 2019. These include a backlog of projects with appropriations or other financing to be contracted and a large number of projects already contracted with a great deal of work remaining. NavFac Pacific Current Contract amounts adjusted by percent completed are estimated at $481 million as of August 2017 on DOD multiyear projects.

Most of Guam's H-2b foreign workers in construction, which accounted for about 17 percent of the industry's labor force, were repatriated in 2016 and 2017. Their temporary visas were not renewed due to more stringent application of the approval policy. Efforts to exempt non-buildup projects from this tightened policy in the U.S. Congress in the National Defense Authorization Act (NDAA) were not successful for FY 2018. DOD projects received an exemption to the temporary criteria which will permit H-2 workers to again be recruited for buildup and related projects. The litigation by contractors recently provided some relief to the non-military projects when a District Court of Guam preliminary injunction prohibited the Federal government from continuing its current practice of denying nearly every request for temporary workers until the merits of the case can be decided. The order also nullified the earlier visa denials. The order does not grant class status to the lawsuit. The motion for class certification is pending. As nearly all H-2b visa workers have left the island, it

# ECONOMIC OUTLOOK

## TOURISM

Visitor arrivals in 2017 set new all-time highs exceeding the record levels according to Guam Visitors Bureau (GVB) figures. For Calendar Year 2017 visitor arrivals increased from 1,532,015 to 1,540,723 a 0.6 percent increase. On a Fiscal Year basis, visitor arrivals increased from 1,492,249 to 1,559,395, a 3.5 percent increase. As the number of visitor arrivals has increased, so have hotel occupancy and room rates. Annual average hotel occupancy rates increased to 84.2 percent in CY 2017, up from 83.4 in 2016 and 76.3 in 2015. In 2017 every month had an occupancy rate above 80 percent except for October. Average daily room rates for 2017 reached $206.07, showing increases each year from 2013, when they were $164.29 as detailed in GVB reports.

While the annual numbers are up, the latest quarter and month are down somewhat. Arrivals for first quarter of FY 2018 are down 3.9 percent from first quarter FY 2017 arrivals. December 2017 arrivals are down 2.3 percent from December 2016.

Despite these recent decreases, the high level of annual visitor arrivals is remarkable, particularly given the drastic reduction in Japan arrivals due to the nuclear standoff between the U.S. and North Korea. Japanese visitors were historically the overwhelming share of the market. Japanese arrivals had been on a generally downward trend but the several missile threats from North Korea in 2017 caused arrivals to plummet from that market. North Korea has made similar threats for decades but President Trump added to the tensions by threatening to "totally destroy" and unleash "fire and fury like the world has never seen" on North Korea. The Guam Visitors Bureau confirmed that there have been thousands of visitor cancellations, mostly from key Japanese package tours and that new bookings have slowed. The CNMI has experienced similar market changes with Korean arrivals increasing and Japan arrivals declining, although their decline in Japanese travelers was much less severe than Guam's. While the tourism prospects for 2018 and beyond remains strong, the situation has heightened uncertainty and dampened growth expectations.

The increasing diversification in origin of visitors by country has more than offset the decrease of the Japan sector. For 2017 Japan arrivals declined 16.9 percent while Korea arrivals increased 25.6 percent. For the first full year, Korea arrivals of 684,465 exceeded the 619,605 arrivals from Japan. Japan arrivals in 2017 were just 40 percent of total visitor arrivals. The Japan sector has experienced a number of events which have reduced arrival numbers. This includes a reduction in the number of flights to Guam which the Visitor's Bureau hopes to increase by promoting an increased number of charter flights and expanded marketing initiatives including social media to capture more independent travelers, as the market has shifted to more FIT's and fewer package tours.

Since a China visa waiver program to Guam does not look likely in the near future, GVB is pursuing Chinese visitors who already have U.S. visas. Two million U.S. visas, now valid for ten years, have been issued to Chinese citizens.

In the latest year Russian visitor arrivals have rebounded somewhat, increasing 52.5% to 659 in 2017. For Russian oil producers, the price of the benchmark crude in rubles is close to a record thanks to a weaker currency. Oil exports are a significant source of Russia's foreign exchange.

Guam remains ninth in a ranking of U.S. ports of entry of non-resident arrivals in preliminary July 2017 U.S. Department of Commerce, ITA, National Travel and Tourism Office figures. The department's forecast for Asia-Pacific provides a context for growth for Guam's tourist market

will take at least three months for the administrative process to start bringing additional workers to the island. The litigation is ongoing. The NDAA also provides the U.S. Citizenship and Immigration Services with flexibility in applying the H-2b visa program on Guam for military and civilian projects directly related to or associated with the Marine relocation. This provision provides confidence that construction employment will increase measurably for FY 2019.

For the civilian sector, a number of major projects are ongoing. These include;

- Tsubaki Hotel is being constructed by P.H.R. Micronesia, Ken Corp. It is to be a 26-story 340 room five star hotel offering luxury accommodations. The site is adjacent to the Hotel Nikko Guam with a total investment of approximately $180 million. The ground breaking was March 2016 and completion was originally scheduled for October 2018. The completion date has been delayed and a 2019 completion is now projected. It is expected to employ 290 people.

- Low-income housing, financed by tax credits through Guam Housing and Urban Renewal Authority for Summer Town Estates Phase III, with 66 low-income units located at the old Lada Estates. The ground breaking ceremony was held March 15, 2017 and the units are scheduled for completion in early 2019. Villa Del Mar LLC plans 50 units off the Kanada - Toto Loop in Mongmong for low income families and homeless veterans. A groundbreaking ceremony for the project was held November 21, 2017. The program is under the jurisdiction of the IRS; GHURA awards credits to developers. The estimated cost for both projects is about $50 million.

- Summer Towers formerly known as Emerald Oceanview Park, a $100 million four-tower development with plans for 260 luxury condominium units on the cliff line next to Guam Memorial Hospital. The project was previously planned for completion in 2010 but encountered delays. The mortgage was taken over by CoreTech which has recently completed the most Southern tower and held an open house May 18, 2017. In January 2018, The Summer Towers' website indicates that the tower is completely occupied. Work on the other towers are being performed but is constrained by construction workforce availability; plans are for the remaining towers to be completed in late 2018.

- Tumon Bay Mall has 200,000 square-feet of floor space on two levels. Phase I work on the mall's exterior structure is completed. Phase II for interior finishing is yet to be completed.

- Fishermen's Co-Op project includes a 220-foot sea wall which will be a docking area for larger vessels, to include fishing, charter and dolphin watch vessels as well as 6,000 – 7,000 square feet for the operational facility, now at an estimated cost of $6 million. In 2014 the Fishermen's Co-Op and GEDA signed a memorandum of understanding for the construction, repair and improvements of the new facility. The project groundbreaking was January 28, 2017.

# ECONOMIC OUTLOOK

A number of major projects are in the planning phase for development. These include:

- Northgate MarketPlace, a shopping and restaurant complex to be located directly across from Guam Regional Medical City in Dededo aims to create nearly 300 retail and food service jobs upon completion. It is funded in part by federal grants through the Guam Housing and Urban Renewal Authority with a total project cost estimated at $12 million.

- JMSH 11, LLC is expected to begin construction of their Citta di Mare Hotel by year 2020 at the latest. Citta di Mare means "city by the sea". The hotel will feature 500 guest rooms of which 450 will be boutique rooms of approximately 330 square feet and 50 deluxe boutique rooms of 450 square feet. The rooms will be housed in 4 towers ranging from 13 to 18 stories. It is to be located across from the vacant property of the Department of Public Works down to the lot behind the Acanta Mall. Citta di Mare Hotel is expected to create 413 new jobs. Total projected investment is $133,165,000.

**Chart 1**

**BUILDING PERMITS & CONSTRUCTION CONTRACTS (in thousands)**

| Calendar Year: | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|
| Building Permits | 211,097 | 364,504 | 449,147 | 308,451 | 221,285 | 433,358 | 423,015 |
| U.S. Military Construction Contracts | 334,597 | 152,095 | 88,001 | 261,234 | 164,377 | 26,463 | 167,932 |
| Japan Funded Military Contracts | 89,720 | | | 44,500 | | | |
| TOTAL: | 635,414 | 516,599 | 537,148 | 614,185 | 385,622 | 459,821 | 590,947 |

**Chart 2**

**MLCON Solicitation/Award Forecast (Updated August 2017)**

| FY | Project | Location | Programmed Amount | Projected Solicitation Date | Projected Award Date |
|---|---|---|---|---|---|
| 2016 | PRTC ROADS | N41557 -- US NAVSUPACT ANDERSEN GUAM | $2,500,000 | 3/23/2018 | 7/18/2018 |
| 2017 | APR - SATCOM C4I FACILITY | N41557 -- US NAVSUPACT ANDERSEN GUAM | $14,200,000 | 1/3/2017 | 4/23/2017 |
| 2017 | APR AIRCRAFT MAINTENANCE SUPPORT FACILITY (DARWIN) | N61755 -- NAVBASE GUAM | $1,800,000 | 7/31/2017 | 1/10/2018 |
| 2017 | APR EXPAND AIRCRAFT PARKING APRON (DARWIN) | N61755 -- NAVBASE GUAM | $28,600,000 | 9/27/2017 | 3/14/2018 |
| 2018 | DPRI-AIRCRAFT MAINTENANCE HANGAR #2 | N41557 -- US NAVSUPACT ANDERSEN GUAM | $75,233,000 | 7/12/2017 | 4/24/2018 |
| 2018 | CONSTRUCT FUEL TRUCK OFFLOAD FACILITY | N41557 -- US NAVSUPACT ANDERSEN GUAM | $23,500,000 | 12/22/2017 | 5/21/2018 |
| 2018 | REPLACE ANDERSEN HOUSING PH II | N41557 -- US NAVSUPACT ANDERSEN GUAM | $40,875,000 | 1/9/2018 | 6/25/2018 |
| 2018 | NAVY-COMMERCIAL TIE-IN HARDENING | N61755 -- NAVBASE GUAM | $37,180,000 | 2/28/2018 | 8/28/2018 |
| 2018 | CONVERT BULK TANKS | N61755 -- NAVBASE GUAM | $3,362,000 | 12/31/2018 | 3/29/2019 |
| 2018 | APR - BULK FUEL STORAGE TANKS | N61755 -- NAVBASE GUAM | $76,000,000 | 1/21/2019 | 6/18/2019 |

The total in Chart 2 above scheduled for MilCon solicitation and award is $284.8 million so far for 2017 through 2019.

Another leading indicator of future construction activity, although not as immediate as the permits and contracts, is appropriations or other funding sources.

Appropriations for U.S. DOD Military and Civilian Infrastructure, both U.S. and Japan government funded are shown in the table below. While U.S. appropriations levels have dropped well below the peak level of 2010, there was a substantial increase for 2018 and a large proportion of the Japanese appropriations of well in excess of $1 billion remain available for contracting.

| Chart 3 APPROPRIATIONS (in thousands) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Fiscal Year (FY):** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** |
| **U.S. DOD Military Construction** | 176,030 | 83,600 | 101,904 | 494,607 | 133,680 | 272,268 | 248,658 | 354,654 |
| **DOD Civilian Guam Infrastructure** | | | | 119,400 | | 20,000 | | |
| **Japan - Fiscal Year (JFY)** | 582,000 | 93,000 | | | | | | |
| **Combined:** | 758,030 | 176,600 | 101,904 | 614,007 | 133,680 | 292,268 | 248,658 | 354,654 |

## MARINE CORPS RELOCATION

The first wave of Marines relocating from Okinawa to Guam has been delayed. They are now expected to begin arriving in Guam by around 2025. According to Major Timothy Patrick, Public Affairs Officer for U.S. Marine Corps Activity, Guam "It's a graduated increase in Marines so it won't be 5,000 Marines all at once, but they will be graduated slowly but surely, ...We expect to get up to the full complement within two years after we begin."

Work in preparation for the relocation is well under way. The progress is documented in *The Interagency Coordination Group of Inspectors General for Guam Realignment* in its *Annual Report* dated February 1, 2017. The estimated total costs for DOD Projects and Programs through 2016 are $1.165 billion, with $517 million incurred. For Marine Corps projects, $1.208 billion with $543 million incurred. For other Federal Agency Projects and Programs, $165 million with $84 million incurred. Two of the largest projects so far are $309 million for utilities and site improvements at the new Marine Corps base at Finegayan and $126 million to construct a live-firing range complex at Northwest Field.

The continued development work is not without concerns which could alter the course or timing of the planned projects and activities. The Guam Legislature adopted a resolution calling for the construction of a new military live-firing range complex to be delayed. The initial version was to prohibit the firing range development, but it was changed to instead call for a delay in the construction and pre-construction until all legal concerns surrounding the development and activities have been resolved. The CNMI lawsuit is also cited. A lawsuit was filed in the Northern Mariana Islands District Court July 27, 2016 by Tinian Women's Association; Guardians of Gani; Paganwatch and Center for Biological Diversity, vs. United States Department of the Navy; Ray Maybus, Secretary of the Navy; United Stated Department of Defense; and Ashton Carter, Secretary of Defense. The Plaintiffs request that the court vacate and set aside the 2010 and 2015 Records of Decision regarding the relocation of Marines from Okinawa to the Mariana Islands, and issue any appropriate injunctive and other relief.

The Department of Justice asked the U.S. District Court for the NMI to dismiss the plaintiffs' complaint with prejudice. CNMI District Court Chief Judge Ramona Manglona dismissed most of the arguments in October. The case now hinges on the issue of whether or not the Navy failed to evaluate, in a single Environmental Impact Statement, the impacts of stationing U.S. Marines on Guam and the full range of training in the CNMI required by those Marines. The next hearing on the lawsuit is scheduled for February 15, 2018.

On an unrelated issue – in response to the almost complete denial of labor certifications for foreign workers under the H-2b visa category - the Governor of Guam issued a statement April 6, 2017, which stated: "I will no longer support the buildup; and will not support further progress on the military re-alignment to Guam, so long as the federal government continues to choke our economy."

Absent any court order the buildup activities are scheduled to proceed. If the Court does not dismiss the case and determines there is merit to the claims, relief could be granted short of setting aside the 2010 and 2015 Records of Decision in a manner that may not affect the Guam relocation activity.

## PUBLIC FINANCING AND INFRASTRUCTURE

A leading indicator of Federal construction is contained in the appropriations. For the Government of Guam, since most of the major construction projects are bond or grant-funded, a leading indicator of future construction is the availability of funds realized from bonds and other sources. Major Government of Guam projects for which funding has been obtained and those for which funding is planned are listed in the following table.

**Chart 4 – Government of Guam**

**LIST OF PLANNED MAJOR CONSTRUCTION PROJECTS AND FUNDING SOURCES**

| Planned Projects –Bond/Loan Financing Proposed | Amount |
|---|---|
| Department of Education | 100,000,000 |
| Port Authority of Guam (PAG) | 72,600,000 |
| Department of Public Works | 20,000,000 |
| Guam Memorial Hospital Authority (GMHA) | 9,200,000 |
| **TOTAL:** | **$201,800,000** |

# ECONOMIC OUTLOOK

## FEDERAL GOVERNMENT FISCAL POLICY

President Trump's FY 2018 budget proposal cuts expenditures for civilian programs and increases defense funding for the nation and Guam as well. Compact-Impact reimbursement is proposed for cuts, while spending for Marine Corps relocation projects is increased. Cuts are proposed for Education, Labor, Department of Interior, Housing and Urban Development and the Supplemental Nutrition Assistance Program and Earned Income Tax Credits. The Defense increases have been passed into law whereas the remainder of the budget has not been passed and remains subject to revisions. It is too early to tell exactly what the final impact of the cuts may be, but it is possible that the increase in defense expenditures will be larger than the civilian cuts resulting in a net increase in federal expenditures in Guam.

A sweeping overhaul of the U.S. income tax system enacted in the *Tax Cuts and Jobs Act of 2017* will have significant effects on Guam. The Joint Committee on Taxation found that all income groups will, on average, see an eight percent tax cut in 2019. Corporate income tax rates drop from 35% to 21%.

The Department of Revenue and Taxation estimated a Government of Guam general fund revenue loss for FY 2018 of $47.9 million in FY 2018 and a $66.1 million loss for FY 2019.

The tax cuts do not directly change the flows of funds to Guam except for Section 30 funds, which will decline with the tax cuts. Section 30 funds are based on the income taxes paid by military personnel in Guam which are passed on to Guam. The cuts are likely to increase pressure to reduce federal expenditures from which Guam benefits. In the short term, projections are that the tax cuts will be larger than the expenditure cuts and will increase the federal deficit. The savings to individuals and corporations on Guam will provide stimulus to the economy to the extent they are spent or reinvested in the economy. To the extent that cuts to the Government of Guam revenues result in expenditure cuts this will cause an off-setting contractionary effect on the economy.

Federal Retirement Cost-of Living Adjustments (COLAs) are effective each December 1st. Social Security Recipients and Federal retirees will receive a two percent COLA increase in 2018.

Energy prices are forecast by the U.S. Energy Information Administration to be essentially stable in 2018 and 2019. If so, energy prices may not be a material factor affecting economic and revenue changes as they have been in prior years.

Gary Hiles
Chief Economist
Department of Labor
Government of Guam



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