

2023



EXECUTIVE BUDGET REQUEST

The Leon Guerrero-Tenorio Administration





ECONOMIC OUTLOOK

Economic Outlook

Economic Outlook for Guam Fiscal Year 2023

SUMMARY

The outlook for Guam's economy in the aggregate for Fiscal Year 2023 is subject to a more significant number of uncertainties than in the pre-pandemic period widening the range of possible economic scenarios. The economic expansion and partial recovery experienced in 2021 is quite likely to continue in FY22 and FY23. Despite the uncertainty, however, component sectors and funding sources in the economy have been and are expected to remain stable and increase in the outlook period. The three primary sources of inflows of funds to Guam are from tourism, federal expenditures, and construction capital investment. Tourism quite possibly will begin a partial rebound, from the current virtual shutdown situation, later in 2022 and continuing into 2023. There is a solid upside for an increased tourism forecast with little downside. Federal expenditures are likely to remain well above usual levels due to Covid 19 stimulus and relief funding. However, the composition of the expenditures based on appropriations will shift from pandemic relief to increased defense and infrastructure expenditures. Construction is almost certain to increase substantially; that is supported by private, Government of Guam, and Federal projects already contracted, increasing appropriation levels workload backlogs and easing federal restrictions on imported workers to meet the demand. Guam's location in the Pacific will continue to provide a fundamental advantage for defense and support the long-term trend of tourism expansion.

The economic performance, in the aggregate, for 2023 depends mainly on progress in controlling the coronavirus pandemic on Guam and internationally, tourism recovery, and maintenance of federal funding sufficient to avoid further economic contraction. Essentially it is a race between the distribution of vaccines and renewed infection waves and variants worldwide and a race to recover faster than fiscal and monetary policy support recedes. If components of the Build Back Better legislation become law, particularly extension of child tax credits, that will further boost families' welfare and the economy. It must be recognized that there is a myriad of possible global health, economic, political uncertainties, including potential natural disasters that could impair the anticipated continued growth scenario.

This outlook focuses on identifying and providing measures of the significant economic factors which influence revenues in preparation of the Government of Guam's Executive Branch annual budget. Other factors, such as changes in tax rates and timing of the receipt of various payments, may also have measurable impacts on realized revenue during the fiscal year. The global, national, and regional economic environment is reviewed as Guam's economy functions and is influenced by a myriad of interrelated influences. Guam-specific tourism, investment, and defense activities will also significantly affect the outlook.

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GLOBAL & REGIONAL ECONOMIC OUTLOOK

The International Monetary Fund's (IMF) World Economic Outlook January 25, 2022

Rising Caseloads, A Disrupted Recovery, and Higher Inflation

The global economy enters 2022 in a weaker position than previously expected. As the new Omicron COVID-19 variant spreads, countries have reimposed mobility restrictions. Rising energy prices and supply disruptions have resulted in higher and more broad-based inflation than anticipated, notably in the United States and many emerging market and developing economies. The ongoing retrenchment of China's real estate sector and slower-than-expected recovery of private consumption also have limited growth prospects.

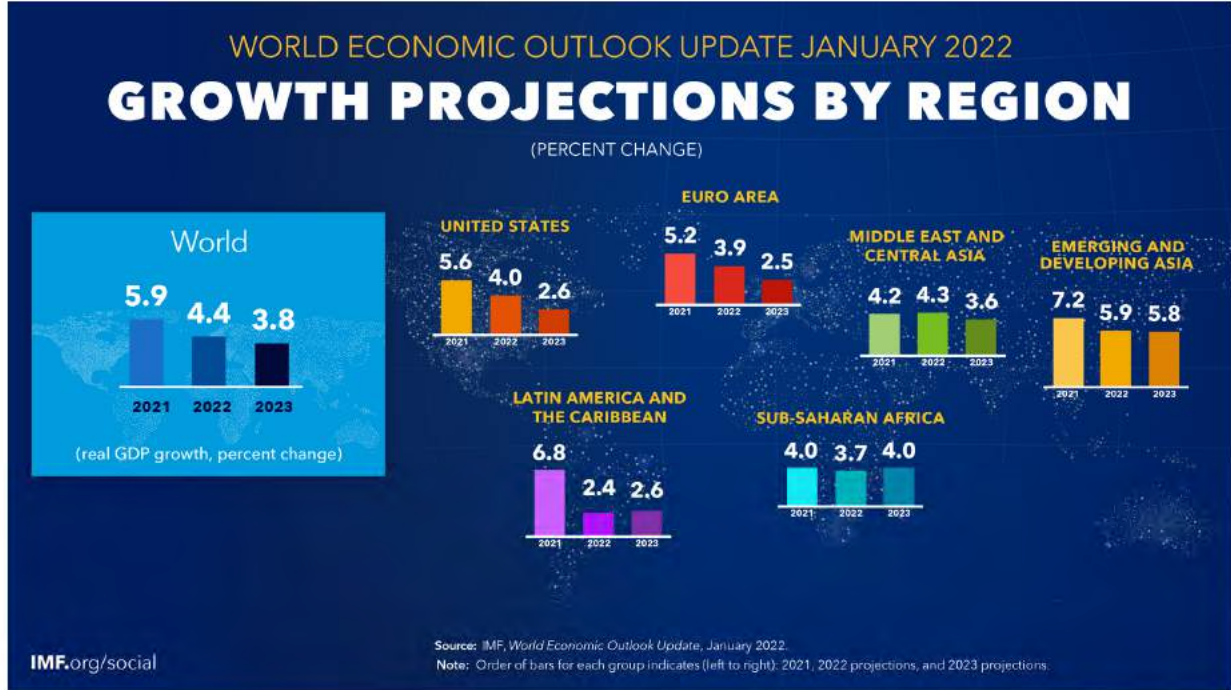
Global growth is expected to moderate from 5.9 in 2021 to 4.4 percent in 2022 - half a percentage point lower for 2022 than in the October World Economic Outlook (WEO), largely reflecting forecast markdowns in the two largest economies. A revised assumption removing the Build Back Better fiscal policy package from the baseline, earlier withdrawal of monetary accommodation, and continued supply shortages produced a downward 1.2 percentage-points revision for the United States. In China, pandemic-induced disruptions related to the zero-tolerance COVID-19 policy and protracted financial stress among property developers have induced a 0.8 percentage-point downgrade. Global growth is expected to slow to 3.8 percent in 2023. Although this is 0.2 percentage point higher than in the previous forecast, the upgrade largely reflects a mechanical pickup after current drags on growth dissipate in the second half of 2022. The forecast is conditional on adverse health outcomes declining to low levels in most countries by end-2022, assuming vaccination rates improve worldwide, and therapies become more effective.

Elevated inflation is expected to persist for longer than envisioned in the October WEO, with ongoing supply chain disruptions and high energy prices continuing in 2022. Assuming inflation expectations stay well-anchored, inflation should gradually decrease as supply-demand imbalances wane in 2022 and monetary policy in major economies responds.

Risks to the global baseline are tilted to the downside. The emergence of new COVID-19 variants could prolong the pandemic and induce renewed economic disruptions. Moreover, supply chain disruptions, energy price volatility, and localized wage pressures mean uncertainty around inflation and policy paths is high. As advanced economies lift policy rates, risks to financial stability and emerging market and developing economies' capital flows, currencies, and fiscal positions - especially with debt levels having increased significantly in the past two years - may emerge. Other global risks may crystallize as geopolitical tensions remain high, and the ongoing climate emergency means that the probability of major natural disasters remains elevated.

With the pandemic continuing to maintain its grip, the emphasis on an effective global health strategy is more salient than ever. Worldwide access to vaccines, tests, and treatments is essential to reduce the risk of further dangerous COVID-19 variants. This requires increased production of supplies, as well as better in-country delivery systems and fairer international distribution. Monetary policy in many countries will need to continue a tightening path to curb inflation pressures, while fiscal policy - operating with more limited space than earlier in the pandemic - will need to prioritize health and social spending while focusing support on the worst affected. In this context, international cooperation will be essential to preserve access to liquidity and expedite orderly debt restructurings where needed. Investing in climate policies remains imperative to reduce the risk of catastrophic climate change.

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The outlook for Asian economies, which affect Guam's economy, mainly through tourism and through secondary effects on intertwined activities among various countries are provided in items extracted from the IMF World Economic Outlook, January 2021 Update January 26, 2021, are as follow:

World Output – Real GDP:

| | Estimate | | Projections |
|---------------|----------|---------|-------------|
| | 2021 | 2022 | 2023 |
| World Output | 5.1 | 4.4 | 3.8 |
| United States | 5.6 | 4.0 | 2.6 |
| Japan | -5.1 | 3.1 | 2.4 |
| China | 8.1 | 4.8 | 5.2 |
| SouthKorea | 4.0 (1) | 3.3 (2) | 2.8 (2) |

Source: (1) Bank of Korea, (2) Statistica

International travel and tourism are far more greatly affected than most larger economies in general, and Guam has an unusually large component of its economy related to international tourism. Therefore, the economic effects of the pandemic are more severe in Guam than in larger developed areas.

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Government of Guam Fiscal and Economic Outlook

Standard & Poor's Global Ratings, dated December 16, 2021 provided insights on its ratings:

Rating Action

S&P Global Ratings revised its outlook to stable from negative on the Government of Guam's (GovGuam) general obligation (GO) debt and affirmed its 'BB-' long-term rating on the bonds. At the same time, S&P Global Ratings revised its outlook to stable from negative on GovGuam's appropriation-backed certificates of participation (COPs) and affirmed its 'B+' rating on the COPs.

We also revised our outlook to stable from negative on the 'BB' long-term rating on GovGuam's business privilege tax (BPT), and section 30 revenues bonds that have a close linkage to the obligor. The ratings reflect the application of our priority-lien tax revenue debt criteria (published Oct. 22, 2018, on RatingsDirect), which factors in both the strength and stability of the pledged revenues, as well as the general credit quality of the obligor, which collects and transfers the pledged revenues for debt service payment. The priority-lien rating on these bonds is constrained to one notch above the state's creditworthiness. For more information, see our analyses on the BPT tax and Section 30 revenue bonds, both published Sept. 22, 2020.

The stable outlook reflects our view of recent stabilization in GovGuam's short-term finances despite uncertainties in economic and revenue trends. It also reflects the territory's stronger liquidity position supported by a significant influx of federal funds as well as recent improvement in key general fund revenues. GovGuam's small and concentrated economy, which is heavily reliant on international tourism, continues to face headwinds as a result of the COVID-19 pandemic and anemic recovery of its tourism sector. However, the territory has shown relative stability in its finances with structural balances reported for fiscal 2020 and estimated for fiscal 2021. Furthermore, the general funds total cash balance, which improved to about \$166 million or 24% of general fund expenditures for fiscal 2020, supports current credit stability.

We believe GovGuam's 2022 projections support a continued trend of fiscal stability. Through federal stimulus efforts to reduce the effects of the pandemic, Guam will receive about \$3 billion through various programs. While the territory general funds are not directly affected by the federal aid received, some of the funding has helped reduce the pressure on liquidity and transfers to other funds. Projections target available ending cash balance (including general fund and special revenue funds) to be maintained at \$139.5 million. GovGuam reports it will also receive ongoing earned income tax credits (EITC) and child care tax credits (CTC) payments to fund mandates previously by the general fund saving about \$80 million annually.

Tourism

Tourism expenditures represented the largest share of the sources of funds flowing into the Guam economy pre-pandemic.

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Tourism expenditures impact revenue and employment primarily in sectors tourism-support industries including transportation, services, retail trade, and indirect effects economy-wide.

The reduction in tourism due to the pandemic is caused by the avoidance of travel due to concerns for safety for both personal and business travel. It is also further reduced due to government-imposed travel cancellations, restrictions, and quarantine requirements. The U.S. Bureau of Transportation Statistics reports a 78 percent decline in international passenger enplanements from January to December 2020 but a far lower 54 percent decline in domestic passenger enplanements. Tourist arrivals to Guam have dwindled to be nearly negligible. This suggests a significant reduction in domestic travel for safety concerns alone without international travel and quarantine restrictions. The international restrictions cause a much greater decline. The resumption of significant international travel will require the easing of government travel and quarantine requirements, but further expansion will require increased safety and confidence.

While there are encouraging developments in controlling the coronavirus, which includes vaccines, testing, masks, social distancing, sanitation, contact tracing, and other protocols, there are new concerns with more contagious and possibly more deadly strains emerging and global transmission as well as isolation fatigue. Travel strategies being discussed and introduced include masks, testing and vaccination requirements, and establishing standard documentation requirements for safer travel and travel corridors within regions within areas of low incidence rates. For international tourism to Guam to flourish, the incidence of the virus must be under control both in the country of origin and destination.

The Guam Visitors Bureau (GVB) has not yet issued tourist arrival projections for 2023. The history of Japanese tourist arrivals shows a pattern of repeated recovery after downturns due to natural or other adverse events. The pace of such a recovery is unknown. Recovery will involve restoring flight schedules as restrictions ease and demand recovers. The Guam Visitors Bureau (GVB) issued its latest edition of the GVB's industry recovery update on January 11, 2022. It includes information on airlines, promotions, travel protocols, and recovery. It is available at the link:

<https://guamvisitorsbureau.com/tools-resources/industry-recovery-updates>

| Chart 1 Tourism | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | Percent Change from 2020 | Percent Change from 2017 |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|-----------------------------------------|-----------------------------------------|
| Total Visitors | 1,559,487 | 1,525,219 | 1,631,049 | 755,615 | 51,607 | -93.2% | -96.7% |
| Occupancy Tax Collected | \$44,011,958 | \$42,871,223 | \$45,061,822 | \$28,390,797 | \$12,870,699 | -54.7% | -70.8% |

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The Forecast of International Travelers to the United States by the US Department of Commerce, International Trade Administration, National Travel and Tourism Office has not been updated post-pandemic, so its projections will not be referenced in this year's report.

Construction

Construction is expected to increase substantially in FY 2022 and FY 2023 from current levels. The recent acceleration of construction activity was substantial in 2021. Construction activity has increased dramatically from FY 2020 to FY 2021 as measured by employment, H2 workers, and gross receipts. Employment increased from 7,860 in September 2020 to 9,020 in September 2021. H2 workers increased from 1,527 in December 2020 to 2,284 in December 2021. Construction revenue as measured by gross receipt taxes paid for construction increased from \$48.2 million to \$58.8 million for these fiscal years, an increase of twenty-two percent.

The total value of building permits for civilian projects and Department of Defense (DOD) construction contracts increased substantially in 2021 from \$469.8 million in 2020 to \$757.0 million in 2021. (Chart 2) High levels of previously permitted and contracted projects are underway. Building permits and DOD construction contracts are a solid indicator of plans backed by financial commitments to commence construction in the near term.

Federal appropriations for military construction projects and Government of Guam bond or other financing commitments and announcements of private sector projects are strong indicators of future construction. Federal appropriations have increased each year from \$248.7 million in FY 2017 to \$765.2 million in FY 2022. (Chart 3) A list of civilian projects to be constructed or under construction is also substantial. (Chart 4)

| Chart 2 | | | | | | | | |
|---------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| BUILDING PERMITS & CONSTRUCTION CONTRACTS (in thousands) | | | | | | | | |
| Calendar Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Building Permits* | 308,451 | 221,285 | 433,358 | 423,015 | 355,045 | 487,316 | 316,503 | 283,886 |
| US Military Construction Contracts | 261,234 | 164,377 | 26,463 | 167,932 | 306,350 | 415,878 | 153,347 | 473,159 |

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| | | | | | | | | | |
|------------------------------|---------------|---------|---------|---------|---------|---------|---------|---------|--|
| Japan Funded Military | <u>44,500</u> | | | | | | | | |
| TOTAL | 614,185 | 385,622 | 459,821 | 590,947 | 661,395 | 903,194 | 469,850 | 757,045 | |

Chart 3

APPROPRIATIONS (in thousands)

| Fiscal Year (FY): | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| US DOD Military Construction | \$101,904 | \$494,607 | \$133,680 | \$272,268 | \$248,658 | \$354,654 | \$448,500 | \$470,638 | \$571,205 | \$765,217 |
| DOD Civilian Guam Infrastructure | | 119,400 | | 20,000 | | | | | | |
| Japan - Fiscal Year (JFY) | | | | | | | | | | |
| Combined: | \$101,904 | \$614,007 | \$133,680 | \$292,268 | \$248,658 | \$354,654 | \$448,500 | \$470,638 | \$571,205 | \$765,217 |

Chart 4 – Government of Guam

Source: Guam Economic Development Authority (GEDA) 2020

LIST OF ONGOING MAJOR CONSTRUCTION PROJECTS AND FUNDING SOURCES

| Planned Projects – Funds Available | Amount |
|--------------------------------------------------------|---------------------|
| Guam International Airport Authority (Completed) | \$40,610,000 |
| Guam Solid Waste Authority | 27,610,000 |
| Subtotal | \$68,220,000 |
| Planned Projects – Bond/Loan Financing Proposed | Amount |
| Guam Waterworks Authority | \$134,000,000 |
| Guam Department of Education | 100,000,000 |
| Department of Public Works | 70,000,000 |
| University of Guam | 21,000,000 |

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| | |
|-------------------------------|----------------------|
| Department of Land Management | 15,750,000 |
| Subtotal | \$340,750,000 |
| TOTAL: | \$408,970,000 |

Several major civilian projects are ongoing. These include:

- Japanese retail store Don Quijote is planning to open a sizeable retail discount store as Don Don Donki in two years. The property lease was registered at the Guam Department of Land Management on March 20, 2019, at a lot near the corner of Airport Road and Marine Corps Drive, which the Triple J Auto Group occupied. As of January 2022, construction is well underway.
- The Northern Wastewater Treatment Plant project was awarded to Black Construction for \$122 Million in June 2019. The Department of Public Works issued a building permit for the project in October 2019.
- Infrastructure projects for Guam's roads, drinking water system, and internet access has been provided for in the \$193 million federal \$1.2 trillion bipartisan infrastructure law. A release from Congressman San Nicolas indicated that "Guam can expect a permanent 2.5 times the annual increase in our highway funds to \$45 million and access to billions in public transportation grants, and grants to expand and harden our broadband and water infrastructure."

MARINE CORPS RELOCATION

The effect of the ongoing Marine Corps Relocation projects on Guam's economy in FY 2023 will primarily be associated with substantial increases in construction activity. Despite the acceleration in construction, delays related to labor shortages, the pandemic, and other causes, the realignment of forces to Guam was extended again to FY 2028, as noted in the Inspector General's Realignment report covering FY 2020. Those increases and impacts on the economy are interrelated and discussed in this report's construction and federal expenditures sections. This section focuses on realignment issues specifically.

The Record of Decision released in August 2015 substantially downsized and lengthened the time frame from the initial 2010 plan. The realignment cost is capped at \$8.7 billion, of which about \$3 billion will come from the Government of Japan. The plans were to relocate about 5,000 Marines and their dependents from Okinawa to Guam between 2020 and 2025. Delays to the plan continue. They were expected to begin arriving around 2025 graduated slowly over the following two years. The plan is summarized in an August 18, 2017, Pacific Daily News article. It includes "a Marine base on a military property at Naval Computer and Telecommunications Station; housing Marine families in homes to be built within the fence at Andersen; developing a live-fire training range complex on 338

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acres of land at Andersen, adjacent to the wildlife refuge at Ritidian; and developing a hand-grenade training facility at Andersen, South." It also includes a number of off-base infrastructure capital improvements. These include civilian water and wastewater projects, port projects, road improvements for Route 1, 3, and 11, and Agana bridge projects.

Public Law 111-84, "National Defense Authorization Act (NDAA) for Fiscal Year 2010," section 2835, October 28, 2009, designates the DoD Inspector General as the chairperson of the Interagency Coordination Group of Inspectors General for Guam Realignment. It required an annual report due February 1 of each year. Sec. 2851 of the Fiscal Year 2021 NDAA changed the reporting requirement from annual to biennial, with the next report due February 1, 2022, and every second February 1 thereafter.

The Interagency Coordination Group of Inspectors General's Report for Guam Realignment Annual Report published January 29, 2021, contains five sections that identify the programs and operations funded with appropriated amounts or funds otherwise made available for military construction on Guam in FY 2020. These sections reported that:

- The DoD obligated \$529.3 million and expended \$365.1 million. Other Federal agencies deobligated \$15.5 million and expended \$25.9 million. (Section 1)
- The DoD identified 134 military construction projects and programs, totaling \$333.3 million, with estimated completion costs of \$1.1 billion. Other Federal agencies identified thirty-seven projects and programs, totaling \$25.9 million, with estimated completion costs of \$1 million on three ongoing projects and programs. (Section 2)
- The Government of Japan provided revenues of \$367 million and earned \$34.8 million in interest associated with revenues for the last 11 years. (Section 3)
- The DoD identified operating expenses of \$94.4 million. Other Federal agencies identified operating expenses of \$37,721. (Section 4)
- The DoD identified a total of 223 contracts, grants, agreements, or other funding mechanisms, totaling \$424.1 million. Other Federal agencies identified a total of thirty-three contracts, grants, agreements, or other funding mechanisms, with deobligations of \$15.5 million of previously obligated but not expended funds. (Section 5)

In FY 2017, DOD obligated \$417.9 million and expended \$152.7 million. For FY 2017 and FY 2018 combined, obligations exceeded expenditures by \$452.1 million. That excess of new obligations further increased in FY19 as there were obligations of \$309.4 million and expenditures of \$210.3 million. The excess of obligations over expenditures increased again in FY 2020 by \$164.2 million with obligations of \$529.3 million and expenditures of \$365.1 million. The four-year accumulation of obligated funds available to disperse as work progresses is \$715.4 million. The combined appropriations totaling over \$1.3 billion for FY 2021 and FY 2022 add to the available funding. This

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indicates that a substantial amount of work to be contracted and in-process has accumulated and will almost certainly substantially accelerate the pace of realignment-related construction activity. Unawarded Military Construction Projects listed in a report to Congress included \$224.0 million in prior fiscal year projects for Guam. Most of the projects were deferred to fund border barrier military construction pursuant to section 2808 of title 10, United States Code. Awarding these projects will further add to the total.

The report shows the total relocation project cost from inception to September 20, 2020 at \$1.1 billion, about 12.6 percent of the \$8.7 billion project cost. The project’s anticipated cost was reported in a Stars and Stripes August 12, 2018 article.

An updated MILCON Solicitation/Award Forecast is not currently accessible from the NAVFAC website. The Solicitation/Award Forecast provides projects specific information on the projected project cost, solicitation, and award dates.

Table A-23 provides detail on Military Projects Awarded on Guam, including 2023 construction.

Table A-23
Military Projects Awarded on Guam

| Navy Awarded | Company | Amount | Project | Completion |
|--------------------------|------------------------------------------------------------------|---------------|------------------------------------------------------------------------------------------------------------|----------------------|
| June 2019 | Gilbane Federal | 31,600,000 | Unaccompanied Enlisted Housing | October 2022 |
| March 2020 | Nan, Inc. in partnership with Alabama-based Caddell Construction | 103,000,000 | Construct a Six-Story Bachelor Enlisted Quarters | 2023 |
| August 2020 | Black Construction-Tutor Perini Joint Venture | 44,000,000 | Design and Construction of Explosive Ordnance Compound Facilities at Navy Base Guam | December 2022 |
| September 2020 | Pacific Rim Constructors Inc. | 36,000,000 | Construction of Utilities and Site Improvements of the Mam and Commercial Gates at Marine Corps Base, Guam | March 2023 |
| October 2020 | Reliable Builders Inc. | 26,600,000 | New State-of-the-Art Digital Communications Backbone at Marine Corps Base Camp Blaz | May 2022 |
| January 2021 | Hawaiian Dredging Construction and Healy Tibbitts Builders Inc. | 97,990,000 | Lima Warf at Apra Harbor for Repairs and Upgrades | November 2023 |
| January 2021 | Hensel Phelps-Shimizu Joint Venture | 53,900,000 | Construction of an Administration Building at Marine Corps Base Camp Blaz | May 2023 |
| January 2021 | Black Construction/Mace International Joint Venture | 28,880,000 | Perform Repairs to Deep-Draft Wharf Infrastructure at Naval Support Facility, Diego Garcia | September 2023 |
| March 2021 | Tech-HDCC-Kajima LLC. | 15,700,000 | Construction of a New Ordnance Administrative and Activity | April 2023 |
| March 2021 | Hensel Phelps Construction Co. | 24,500,000 | Design and Construction of a Fuel Station | August 2023 |
| March 2021 | Core Tech-HDCC-Kajima LLC. | 75,600,000 | Design and Construction of a Distribution Warehouse and a Central Issue Facility | March 2024 |
| April 2021 | Hensel Phelps Construction Co. | 25,000,000 | Design and Construction of a Combine Explosive Ordnance Disposal Compound | October 2023 |
| May 2021 | Core Tech-HDCC-Kajima LLC. | 45,000,000 | For the construction of a medical and dental clinic at the Marine Base Camp Blaz | May 2023 |
| Air Force Awarded | Company | Amount | Project | Completion |
| January 2019 | Reliable Builders, Inc. | \$ 19,900,000 | Construction of a Hardened Installation Control Center | Construction Ongoing |
| March 2019 | Modern International Inc. | 18,600,000 | Construction of Two New Hangars on Northwest Field | Construction Ongoing |
| September 2019 | Nan Inc. | 15,000,000 | Construction of an Ordnance Operations Facility | December 2021 |
| September 2019 | Gibane SMCC ECC LLC, Concord, California - Gibane SMCC ECC LLC | 22,997,004 | Design and Construction Tactical Training Facility for the Aviation Combat Element | April 2022 |
| February 2020 | Caddell-Nan JV, Montgomery, Alabama | 204,000,000 | Construct Two Six-Story Bachelor Enlisted Quarters at Marine Corps Base, Guam | September 2023 |
| August 2020 | DZSP 21 | 48,000,000 | Base Operating Support Services | April 2028 |
| September 2021 | Core Tech-Hawaiian Dredging LLC | 43,000,000 | Design and Construction of 20 Munitions Storage Igloos Phase Three | June 2023 |
| February 2021 | Granite-Obayashi JV | 42,000,000 | Build a Standoff Weapons Complex | March 2023 |

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Federal Government Expenditures

Federal government expenditures now represent the largest single source of funds flowing to Guam. Federal government expenditures in recent years were the second-largest source of funds, well behind tourism expenditures in recent years. The pandemic induced reduction in tourism changed, and an increase in Federal expenditures changed that. To provide perspective to the federal expenditures as a component of the economy, the total value of sales or revenue reported on Guam in the 2017 Economic Census was \$8.47 billion. The Gross Domestic Product in 2020 was \$5.8 billion.

A summary of the American Rescue plan Act of 2021 (“ARP”), a \$1.9 trillion stimulus package to speed up the U.S. recovery from the economic and health effects of the COVID-19 pandemic. The specific provisions of the ARP benefiting Guam include the following:

Source: The Official Statement on The A.B. Won Pat International Airport Authority General Revenue Bonds, 2021 Series A provided on page A-6 (Source: Guam Economic Development Authority)

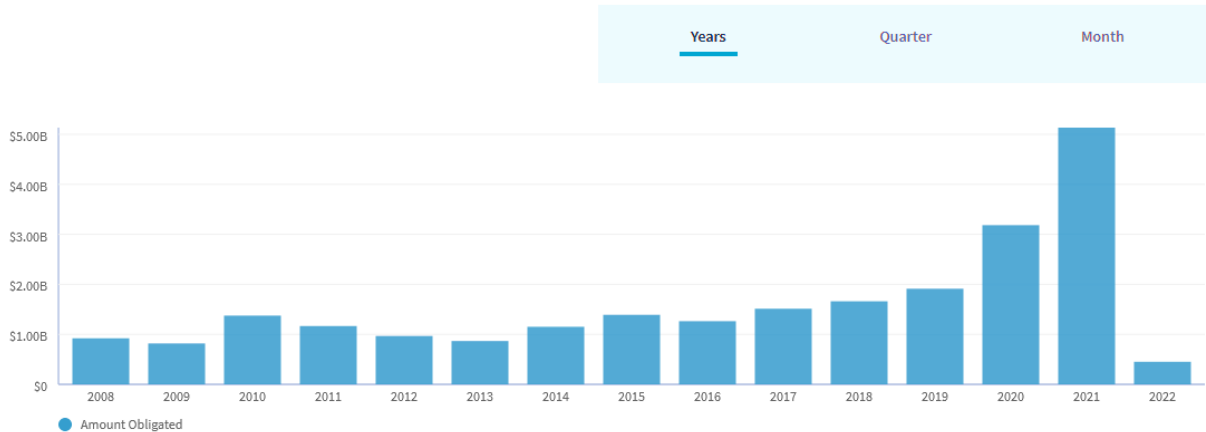
On March 11, 2021, President Joseph Biden signed into law the American Rescue Plan Act of 2021 (“ARP”), a \$1.9 trillion stimulus package to speed up the U.S. recovery from the economic and health effects of the COVID-19 pandemic. The specific provisions of the ARP benefiting Guam include the following:

- Guam to receive over \$600 million for direct government assistance.
- A third economic impact payment or stimulus check of \$1,400 to be paid to each qualifying taxpayer and child. On April 10, 2021, the Guam Department of Revenue and Taxation announced the approval of \$241 million for Guam's Economic Impact Payment 3 Plan, 90% of which has been received. As of July 10, 2021, a total of \$214.7 million has been distributed.
- Increase of the Child Tax Credit from \$2,000 to \$3,600 for children under age 6, and \$3,000 for other children under age 18.
- An extension of the PUA program of \$300 per week and \$100 for Mixed Earner Unemployment Compensation through September 6, 2021.
- An extension of the FPUC of \$300 per week through September 6, 2021.
- Unemployment Compensation waives federal income taxes on the first \$10,200 of unemployment benefits received in 2020 by middle- and lower-income taxpayers.
- Direct rental assistance for Guam residents who may be able to seek relief for payment of past-due rent up to 12 months or since the pandemic started. It can also be used to pay past due utility bills.
- Homeowners Assistance Fund to provide relief for the most vulnerable homeowners.
- Expands the eligibility for the Paycheck Protection Program and amended the Shuttered Venue Operator Grant Program.
- Estimated \$56.2 million for State Small Business Credit Initiative.
- Included the Restaurant Revitalization Fund that will provide grants to eligible restaurants and bars to help offset revenue losses.
- Capital Projects Fund to cover the cost of capital projects like broadband infrastructure.
- Approval of the full reimbursement of GovGuam annual costs tied to the Earned Income Tax Credit and the Child Care Tax Credit, which has averaged \$53 million and \$28 million per year since 2017.

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Transactions Over Time

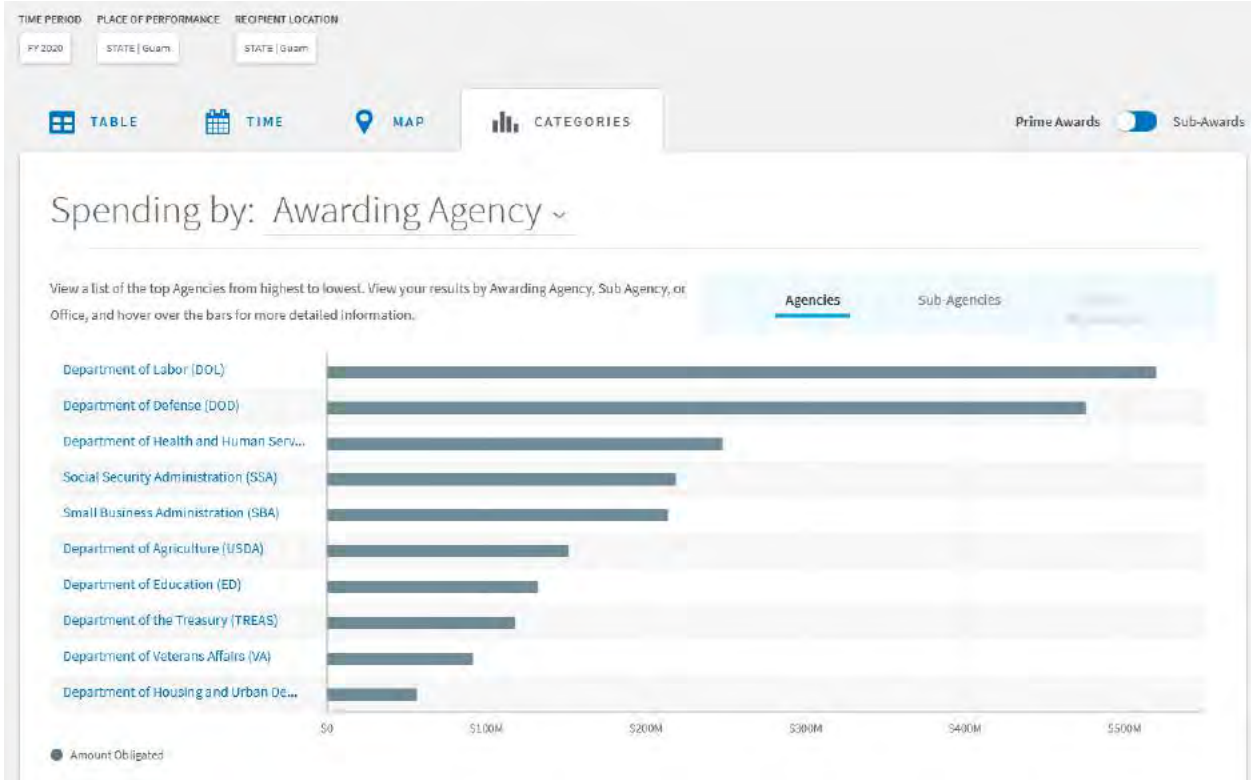
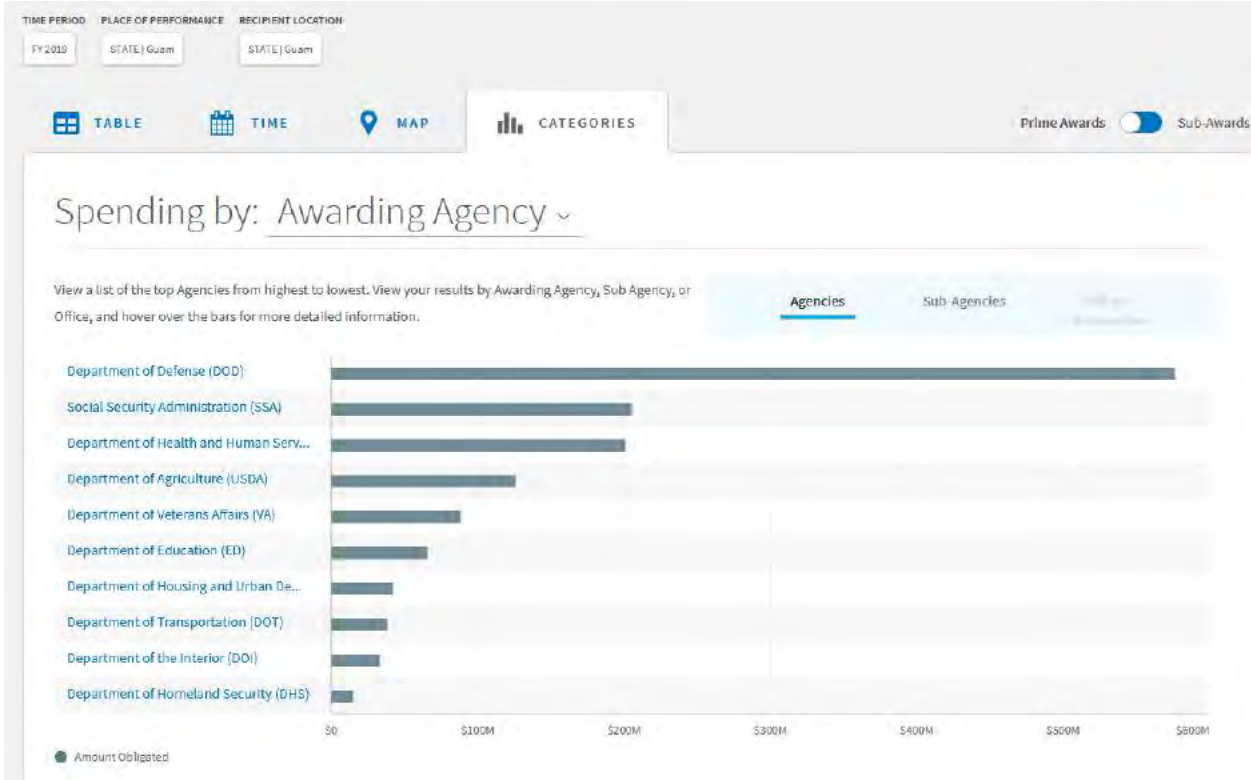
The graph below shows trends over time for amounts awarded to this state. Break down the amounts by years, quarters, or months, and hover over the bars for more detailed information.



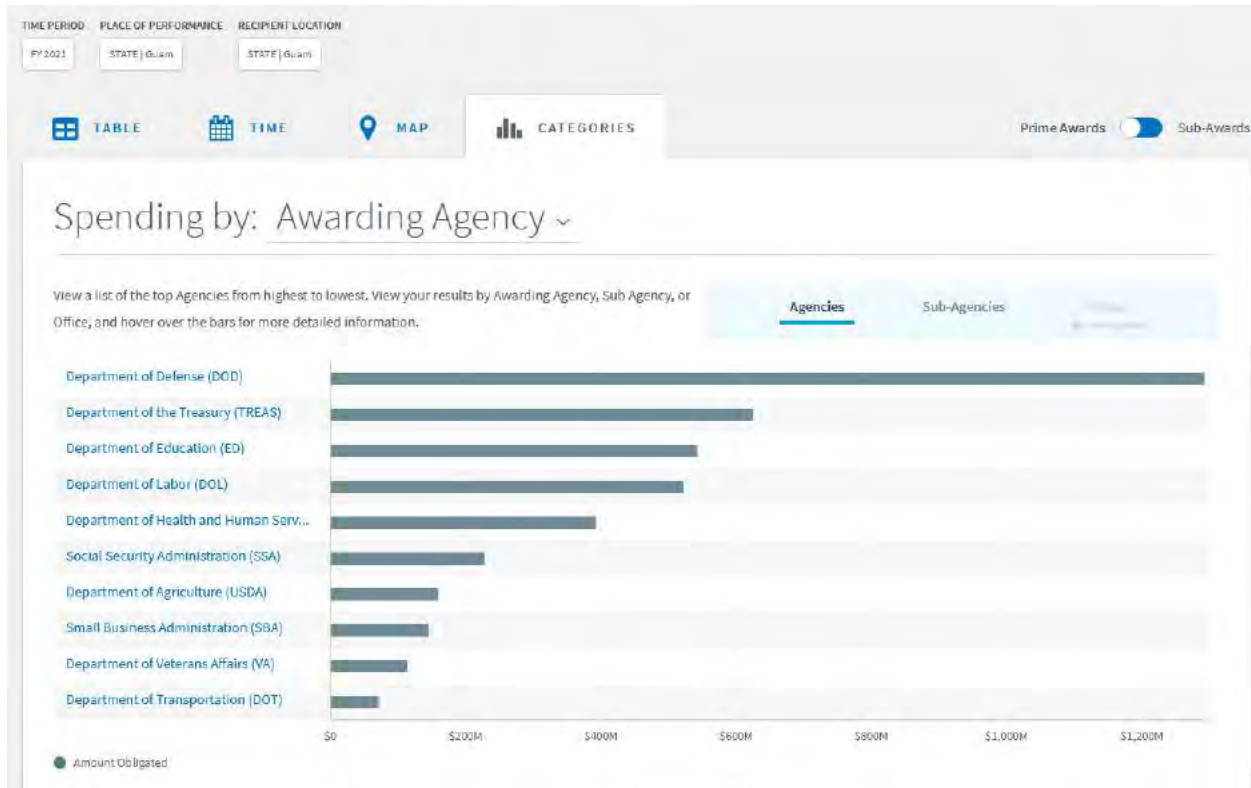
The Federal FY 2023 budget will not be proposed by the President until later in 2022, so the federal expenditure plan and amounts are not yet available. The FY 2022 budget has not been passed except for the NDAA, and the federal government is operating under a continuing resolution. However, some insights provide evidence that federal spending will continue to increase on Guam in 2023. The appropriation for military construction increased by \$194.0 million, from \$571.2 million in FY 2021 to \$765.2 million in FY 2022.

A substantial component of federal expenditures in Guam is for non-discretionary payments, including Social Security and Federal Pensions. Those programs are committed to having increases effective January 1, 2022, which set the floor to continue these higher payment amounts in 2023 and will likely increase further with next year's adjustments. Federal General Schedule civilian employees will receive a 2.2% increase across the board plus an additional 0.5% locality pay adjustment, to total a 2.7% average increase in 2022. The latest COLA is **5.9 percent** for Social Security benefits, military retirement pay and CSRS (Civil Service Retirement System) retirement benefits. Benefits will increase by 5.9 percent, beginning with the December 2021 benefits, payable in January 2022. Military pay saw a 2.7% increase for 2022 compared to 2021 levels. The military pay tables apply to active Navy, Marines, Army, Air Force, Coast Guard, and Space Force members. The following graph shows federal spending in Guam by Federal Agency in 2019 pre-pandemic. The usual spending by agency is expected to continue with increases, as noted above, independent of pandemic appropriations. The following three graphs from USASpending.gov illustrate the spending by awarding agency for fiscal years 2019, 2020 and 2021. The majority of the expenditures are for purposes other than pandemic assistance and are expected to continue in the years ahead.

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Real Estate

“Guam saw \$600 million in real estate sales last year (2021) – a 55% increase from 2020, and the largest value of sales in a decade, according to local real estate expert Siska Hutapea, President of Cornerstone Valuation Guam. Of the \$600 million, \$342 million was spent on single-family homes, which is 52% higher than 2020.” The military buildup, rising valuations, low interest rates, and inflation concerns are fueling the market. The higher valuations also have a positive effect on minimizing foreclosure and bankruptcy filings as pandemic distressed owners are more likely to have equity and be able to liquidate their real estate assets.

Resident Expenditures

Resident expenditures are about 35 percent of total direct spending in the economy according to the 2017 Guam Economic Census, and their incomes are heavily dependent on inflows from external sources, so as those flows increase or decrease, so should their expenditures. They are affected indirectly by changes in employment associated with additional business and directly as recipients of increased federal pensions Social Security payments. Wage earnings are the primary income source for most people. Other sources of income also represent a sizeable component of disposable income. These include federal and local government pensions, including social security, rental, interest and investment income, and transfer payments for food, housing, and medical services. The U.S. Department of Agriculture (USDA) has released a re-evaluation of the Thrifty Food Plan to calculate Supplemental Nutrition Assistance (SNAP) benefits. As a result, the average SNAP benefit – excluding additional funds provided as part of pandemic relief – will increase 27% for Fiscal Year

Economic Outlook

2022 beginning on October 1, 2021, as reported in an August 18, 2021 release at Benefits.Com. The increased benefits will not only support better nutrition and higher grocery sales, but it will also release some income previously needed for food for other consumer goods. As of June 2021, the most current information available, the number of Guam residents participating in SNAP was down to 39,055 in 13,938 households. Pensions are not affected by the level of employment in the short run, and transfer payments usually increase with reduced employment.

Employment and average weekly hours paid have continued their recovery from the pandemic lows. Employment numbers began a moderate rebound in December 2020, with the recovery continuing. Total employment as of September 2021 remains 5,240 jobs below the pre-pandemic employment of 67,580 in December 2019 despite an increase of 1,670 jobs in the construction industry. The private sector reduction remains nearly eleven percent below pre-pandemic employment. Preliminary Private Sector employment figures increased from 1,360 in the quarter ending September 2021 and were up by 3,310 jobs over the year. Average weekly hours paid increased from 31.1 to 35.1, and average weekly earnings increased from \$540.82 to \$571.17 or 5.6 percent.

These payroll income losses have been substantial but not entirely offset by the combination of unemployment compensation and stimulus payments during 2020 and 2021. The Economic Impact Payments (EIP) totaled \$149 million, and Pandemic Unemployment Assistance (PUA) and Federal Pandemic Unemployment Compensation (FPUC) totaled \$469 million, and National Dislocated Worker grants \$1.2 million as of December 31, 2020. Unemployment rates on Guam have followed the direction of those of the U.S and Hawaii; however, Guam unemployment rates have been more severely impacted by the pandemic than the U.S. and Hawaii as Guam has a more significant share of international tourism relative to the size of the economy. The Guam unemployment rate increased from 6.1 percent in December 2019 to 19.4 percent in December 2020. The unemployment rate has fallen in the last three consecutive quarters, dropping to 8.1 percent in September 2021. The increase in the Guam minimum wage from \$8.75 to \$9.25, which took effect September 1, 2021, will provide additional earnings for employees going forward. Income is the primary determinant of consumer spending, but financial and real estate asset value changes and the level of confidence in the economy may also affect consumer expenditures.

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