

ECONOMIC FORECAST

GUAM-CNMI EDITION 2015

Guam: Fourth Straight Year of Stable Growth in 2015 Positive News for Tourism, Military Rebalance and Real Estate

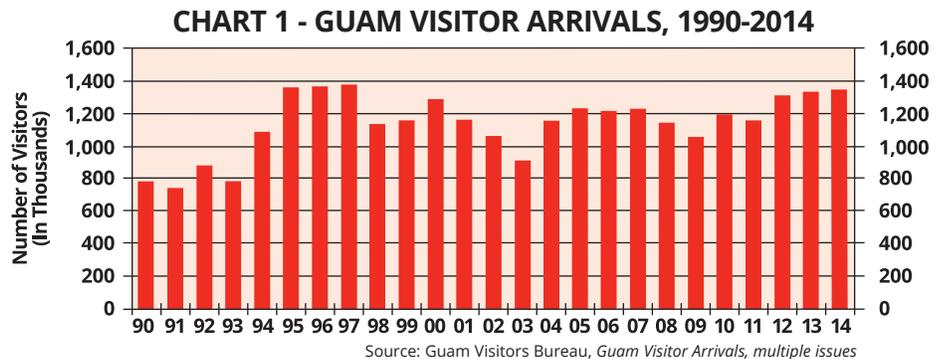
Guam's economy posted modest growth in 2012 and 2013 and, pending an official estimate, local experts say the economy grew also in 2014. Guam is expected to sustain this growth momentum this year, given promising developments in its main economic drivers — tourism, federal spending (including military spending) and the local economy.

■ **TOURISM:**

Guam's visitor arrivals number in 2014 was the highest it has been since 1997, and 2015 is expected to be higher yet. Better yet, gone are the days when most visitors came from only one country, Japan. Today's Guam visitors represent a more diverse market, with especially strong growth from Korea.

■ **MILITARY REALIGNMENT:**

After a long period of delays and false starts, U.S. military plans to bring thousands of Marines and their dependents to Guam are coming to fruition pending release of the Final Supplemental Environmental Impact Statement (SEIS) and issuance of the Record of Decision (ROD), both expected this year. Even then, military spending signed by President Obama has increased for the current fiscal year while proposals for next year's spending appear to be getting support from members of Congress.



After long delays and false starts, U.S. military plans to bring thousands of Marines and dependents to Guam are coming to fruition.

■ **REAL ESTATE:**

After years of slow growth, the real estate sector began firming up in 2014 and is off to a strong start in 2015, especially in sales of condominiums.

■ **MACROECONOMIC INDICATORS:**

2014's low inflation, low unemployment, modest job growth and increased spending are expected to continue through this year.

TOURISM: MORE VISITORS, MORE DIVERSITY:

Guam welcomed 1.343 million tourists in 2014, which beat the previous year's figure by 0.64% and is the highest total since 1997, before the Asian Crisis years. (Chart 1) This strong performance is even more impressive in light of the stronger U.S. dollar against visitors' currencies in 2014.

Importantly, as Chart 2 on page 2 demonstrates, the market composition of Guam's tourism has been shifting away from Japan and toward a number of other markets. In 2014, Korea (up 25%) and China (45% growth) represented the fastest-growing tourist markets for Guam. Korean visitors totaled 308,037 in 2014, representing almost 23% of the total (up from 18% a year earlier) while Japan's share of the 2014 total decreased to 60% from nearly 67% a year before.

Access from Korea has been increased since late 2014 by United Airlines' Seoul-Guam flights, Jin Air's use of larger aircraft (B777) on its twice-daily Incheon-Guam flights, and launch of Jeju Air's twice-weekly Busan-Guam flight since January. T'way Air, another low-cost airline from Korea, plans to launch daily Seoul-Guam flights in July.

(Continued on page 2)

ON THE INSIDE

7 CNMI Economy: Tourism Growth Fuels Optimism for 2015

TOURISM (Continued from page 1)

All of these developments make the Guam Visitors Bureau's (GVB) target of 375,000 visitors from South Korea during fiscal year 2015 (October 2014 to September 2015) achievable. (*Marianas Business Journal*)

The share of Chinese visitors continued to be small but is increasing — from 0.84% in 2013 to 1.21% in 2014. The new reciprocal visa arrangement between the U.S. and China, which went into effect last November, extends short-term visas from one to 10 years. (*Marianas Business Journal*, 2014, November 17) Although not quite the visa waiver that many in Guam have been hoping for, this agreement is likely to boost visitor arrivals from China to Guam (and the U.S.). Other positive developments include United Airlines' launch of its Shanghai-Guam flight in October. (*Marianas Business Journal*, 2014, November 3) For the 2015 Chinese Lunar New Year, Dynamic Airways offered 15 charter flights between China and Guam, bringing about 3,000 visitors between February 10 and March 6. (*GVB News Release*, 2015, January 29)

New reciprocal visa agreement, added flights are likely to help boost visitors from China to Guam.

The share of the Taiwan and Hong Kong markets to the total visitor count on Guam held steady in 2014, but both continue to be viewed as important for Guam. Arrivals from Taiwan during the Chinese New Year grew, thanks to China Airlines doubling its Taipei-Guam flights (from 2 to 4 weekly) for two weeks in February 2014. (*Marianas Business Journal*, 2014, November 17) The number should increase further once Taiwan-based TransAsia Airways, pushes through with its plan to launch more Taipei-Guam service in the second half of 2015. (*Taipei Times*, 2014, December 25)

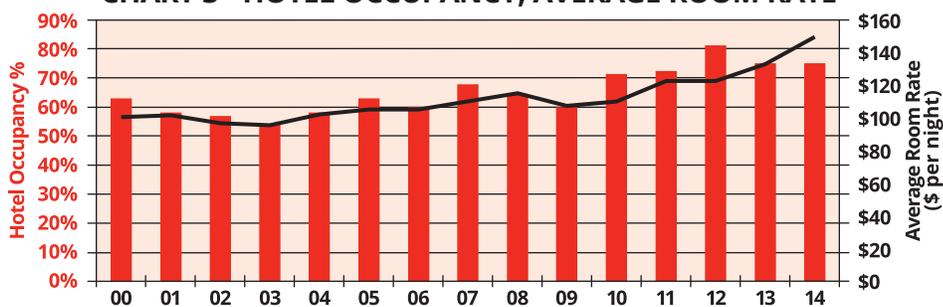
The Russian market is on par with China but its growth has slowed. The continued conflict between Russia and Ukraine and its impact

CHART 2 - LARGEST SOURCES OF VISITORS TO GUAM

Country	2014	2013	Growth	Share in 2014	Share in 2013	Share Change
Japan	810,856	893,118	-9.21%	60.37%	66.93%	-6.55%
Korea	308,037	245,655	25.39%	22.93%	18.41%	4.53%
U.S. Mainland	55,192	48,836	13.01%	4.11%	3.66%	0.45%
Taiwan	49,136	48,653	0.99%	3.66%	3.65%	0.01%
Russia	16,293	8,084	101.55%	1.21%	0.61%	0.61%
China P.R.C.	16,280	11,225	45.03%	1.21%	0.84%	0.37%
CNMI	14,761	16,154	-8.62%	1.10%	1.21%	-0.11%
Hawaii	13,571	9,746	39.25%	1.01%	0.73%	0.28%
Philippines	12,079	10,920	10.61%	0.90%	0.82%	0.08%
Hong Kong	8,180	8,857	-7.64%	0.61%	0.66%	-0.05%

Source: Guam Customs Declaration Forms, Customs and Quarantine Agency. Processed by the Guam Visitors Bureau.

CHART 3 - HOTEL OCCUPANCY, AVERAGE ROOM RATE



Source: Guam Hotel and Restaurant Association, *Summary Statistical Report December 2014*

on both economies, including a 76% decline in the value of the ruble vs. the U.S. dollar and suspension of direct flights from Russia by Oren Air in September 2014, both contributed to this slower growth.

Yakutia Airlines announced direct charter flights in February but has now delayed indefinitely until the ruble stabilizes. (*Marianas Business Journal*, 2014, December 1; *Pacific News Center*, 2015, January 13)

For 2015, visitor arrivals between January and April were up 1.9% compared to the same period last year. The rest of the year is expected to see more visitors coming to Guam than during 2014, moving closer to the GVB's Tourism 2020 vision of welcoming 2 million visitors by 2020. GVB has embarked on an energetic educational campaign highlighting the benefits of tourism to the local economy and residents, including the statement that — because tourists pay taxes — each local resident actually ends up paying \$3,100 lower taxes. On the other hand, some have taken a more cautious view of the goal

of 2 million tourists per year by 2020 and invite further discussion on whether the local community and available resources are prepared for such a scenario.

The market has been responding to the recent increases in visitor arrivals by increasing flights, making Guam more accessible and affordable to visitors from already existing markets.

Although the hotel occupancy rate (Chart 3) stood at 75% in 2014, same as 2013, the weighted hotel room rates increased from \$134 to \$149 in 2014. One benefit is that hotel taxes due to GovGuam increased from \$38 million in 2013 to \$43 million in 2014, a 14% annual increase. The latest available data for January-March 2015 show hotel occupancy down to 81% from 88% during the same months in 2014. However, average room rates rose to \$164 compared to \$155 and hotel tax revenues are up 18% compared to one year ago.

Tourism experts estimate 1600 additional hotel rooms will be required to accommodate 2 million tourists per year. Some players in the market are primed for this opportunity, including Lotte Hotel, which began offering 222 rooms in July 2014 and Dusit Thani Guam, which will hold its grand opening in June 2015 and offer 419 rooms, along with the largest meeting space available in Guam. In addition, plans have been revealed about converting Ladera tower, currently a condominium, into a hotel, with the help of the special hotel qualifying certificate created by Public Law 32-233 (KUAM, 2015, February 6). The 280-unit Emerald Ocean View project, which a local construction company (Core Tech) has taken over and plans to complete, might add to the hotel room inventory in Guam. Also, Ken Corp.'s 348-room hotel is planned to begin construction next year with completion expected in 2018. (*Guam Business Magazine*, 2015, March-April)

Other indicators point to a neutral or positive outlook for Guam's tourism for 2015. Forecasts of overall economic growth in Japan continue to be slow (1.1%) but that follows many years of negative growth. Korea's economy is expected to grow at 3.5%, Taiwan 3.7%, Hong Kong 2.8% and China, 7.2% (slow by China's standard).

On the other hand, the U.S. dollar strengthened against currencies of Guam tourists, a development which might have slightly dampened the 2014 visitor count; Guam would probably have welcomed more visitors if the dollar maintained its 2013 value. The 9% decline in Japanese visitors in 2014 compared to 2013 was largely due to the 15% stronger dollar/weaker yen during the same period. Also, as mentioned above, the slower growth in the Russian tourist market in 2014 was in part due to the 76% strong dollar/weaker ruble during the same period. Data for January-April 2015 are positive for Guam's tourism as currencies of visitor markets have either stabilized or begun gaining strength against the U.S. dollar.

CHART 4 - EXCHANGE RATES (PER \$1) IN MAJOR GUAM VISITOR MARKETS

	Dec. 31, 2013	Dec. 31, 2014	April 30, 2015	2013-2014 % Change*	2015-to-Date % Change*
Japanese Yen	103.46	119.32	120.205	15.33%	0.74%
Korean Won	1,055.63	1,102.62	1,079.85	4.45%	-2.07%
New Taiwanese Dollar	29.72	31.35	30.747	5.48%	-1.93%
Chinese Yuan	6.07	6.19	6.2136	1.89%	0.40%
HK Dollar	7.7535	7.7541	7.7523	0.01%	-0.02%
Russian Ruble	33.0952	58.325	51.96	76.23%	-10.91%

*Positive indicates U.S. dollar strengthened/tourist currency weakened
Sources: <http://finance.yahoo.com> for all exchange rates on April 30, 2014 and April 30, 2015 and data for the Russian Ruble; Federal Reserve Bank of St. Louis end-of-the-year data for all other currencies.

CHART 5 - FY 2015 MILITARY CONSTRUCTION APPROVED UNDER NATIONAL DEFENSE AUTHORIZATION ACT OF 2015

NAVY	
North Ramp GSE Shops	\$21,880,000
North Ramp MWSS Facilities	\$28,771,000
AIR FORCE	
Guam Strike Fuel Maintenance Hangar, Increment 2	\$64,000,000
PAR Low Observable, Corrosion Control Repair Facility	\$34,400,000
Combat Command Infrastructure Facility	\$3,750,000
Red Horse Logistics Facility	\$3,150,000
Satellite Fire Station	\$6,500,000
TOTAL	\$162,451,000

Source: Source: Office of the Guam Congressional Delegate (2014, December 4). Statement on House Passes FY15 National Defense Authorization Act of 2015 Conference Bill

MILITARY REALIGNMENT FALLING INTO PLACE:

The Record of Decision on the plan to relocate 5,000 U.S. Marines and family members from Okinawa to Guam (also referred to as military realignment or rebalance) is expected to be issued later this year, following release of the Final Supplemental Environmental Impact Statement (SEIS). The draft SEIS in April 2014 put the cost of this military realignment at \$8 billion, with approximately \$3 billion to be shouldered by the Government of Japan.

Draft SEIS estimates \$8 billion cost for U.S.-Japan military realignment in Guam.

The latest statement in support of this military build-up and the larger Asia-Pacific rebalance of forces came from President Obama during the recent press conference with Japan Prime Minister Abe at the White House: "I reaffirmed our commitment to move forward with the relocation of Marines from Okinawa to Guam." (The White House, 2015, April 28)

Other developments in the past year suggest that the military realignment in Guam is coming to fruition. The National Defense Authorization Act of 2015 authorizes appropriation for \$162.4 million of military construction projects in Guam (Chart 5).

(Continued on page 4)

MILITARY (Continued from page 3)

For fiscal year 2016, President Obama requested nearly \$267 million for military construction projects in Guam to support the Marine realignment and bolster Guam's strategic importance in the Asia-Pacific region (Chart 6). (Office of Guam Congressional Delegate, 2015, February 2). Of this amount, \$181 million will be Navy projects and \$85 million will be Air Force projects, including \$34.4 million already authorized. The President's proposed projects in Guam have thus far received support from the House Committee on Armed Services Subcommittee for Readiness. (*Pacific Daily News*, 2015, April 23).

Federal and military spending are expected to increase on Guam during fiscal year 2015.

U.S. federal spending in Guam peaked at \$1,479 million in fiscal year 2010, followed by three straight years of decreases, reflecting concerns over the federal government's large debt and increasing budget deficits. In this context, the 34% increase (to \$1,242 million) in federal spending in Guam in fiscal year 2014 points to a shift in policy, especially with regard to support for military realignment in Guam and the rebalance of U.S. forces within the Asia-Pacific region. Similarly, military spending in Guam peaked at \$828 million in fiscal year 2010 and decreased during the next three years. Given the developments noted above, both total federal and military spending are expected to increase this fiscal year 2015.

'POSITIVE HINTS' FOR GUAM'S RESIDENTIAL REAL ESTATE MARKET:

After years of slow real estate activities in Guam, Siska S. Hutapea, President of Cornerstone Valuation Guam, Inc., finally saw "hints of positive years to come... including the return of off-island buyers... from Taiwan" (*Guam Business Magazine*, 2014, November-December). Data provided by

CHART 6 - FY 2016 MILITARY CONSTRUCTION PROJECTS IN THE PRESIDENT'S BUDGET

NAVY	
Live-Fire Training Range Complex (NW Field)	\$125,677,000
Municipal Solid Waste Landfill Closure	\$10,777,000
Sanitary Sewer System Recapitalization	\$45,314,000
AIR FORCE	
APR - Dispersed Maint Spares & SE Storage Facilities	\$19,000,000
APR - Installation Control Center	\$22,200,000
APR - South Ramp Utilities Phase 2	\$7,100,000
PAR - LO/Corrosion Cntrl/Composite Repair	\$34,400,000
PRTC - Roads	\$2,500,000
TOTAL	\$266,968,000

Source: Office of the Guam Congressional Delegate (2015, February 2). Statement on the President's Budget Proposal for Fiscal Year 2016.

CHART 7 - RESIDENTIAL UNITS SOLD, 2008-14

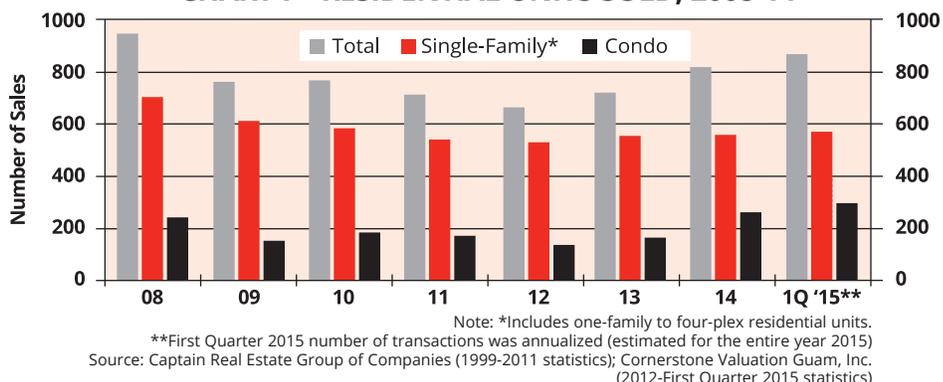
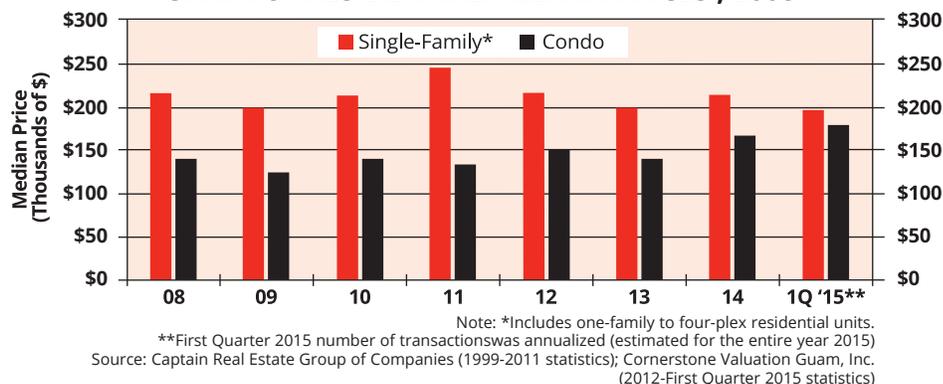


CHART 8 - RESIDENTIAL MEDIAN PRICES, 2008-14



her company show sales of residential units (Chart 7) increased 13.3% between 2013 and 2014, mostly driven by sales of condominiums, which increased nearly 58%. Unlike previous years, the increased residential sales did not come at the expense of lower prices as the median price

(Chart 8) was up 4.52% between 2013 and 2014, with the median for condominiums up 18.37%. Increases in sales of single-family dwellings were more modest, with unit sales virtually flat and a 6.39% increase in the median price.

Real estate activities are off to a strong start in the first quarter of 2015, with the number of residential units sold increasing 25% from the same quarter a year earlier. The number of condominiums sold was up 54%, with single-family dwelling sales rising 15%. The median price of residential units during the quarter was 3.92% higher than the same period last year, with condominiums' median price up 14% from \$156,200 a year earlier to \$178,500 in the first quarter of 2015. The median price for single-family dwellings increased slightly from \$193,500 to \$195,000 during the same period.

Guam's residential real estate sector is off to a strong start in 2015, especially in sales of condominiums.

GROSS ISLAND PRODUCT (GIP) GROWTH:

Since last year's report, another year (2013) of GIP estimate has been released by the U.S. Department of Commerce-Bureau of Economic Analysis, valuing Guam's economic output at \$4.144 billion in real terms, 2005 prices. Averaged over an estimated population of 160,300, this puts Guam's per capita real GIP at \$25,852 in 2013.

Chart 9 shows the economy's positive growth nearly every year since 2003. Growth was faster in the earlier years (2004-05) as the economy was just coming out of an economic low point. Modest growth in 2007-2008 was fueled by the announcement of a military build-up in late 2006, but growth tapered off in 2009 and 2010 when the build-up became uncertain and was later reduced in scale over a longer timeline. After a down year in 2011, Federal estimates showed the economy displayed modest growth in 2012 and 2013.

CHART 9 - GUAM GIP GROWTH, 2002-13

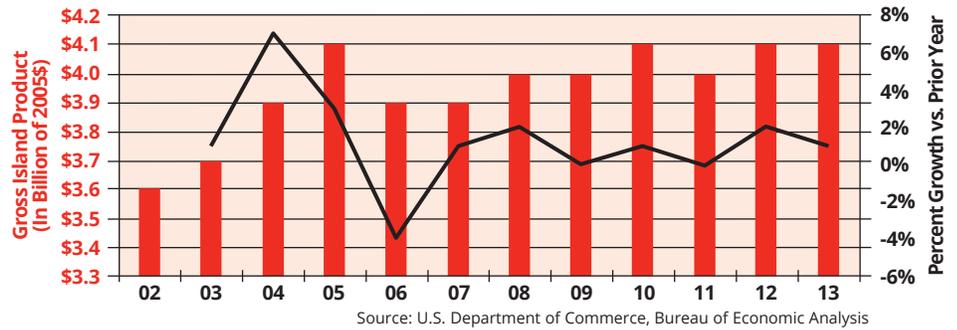
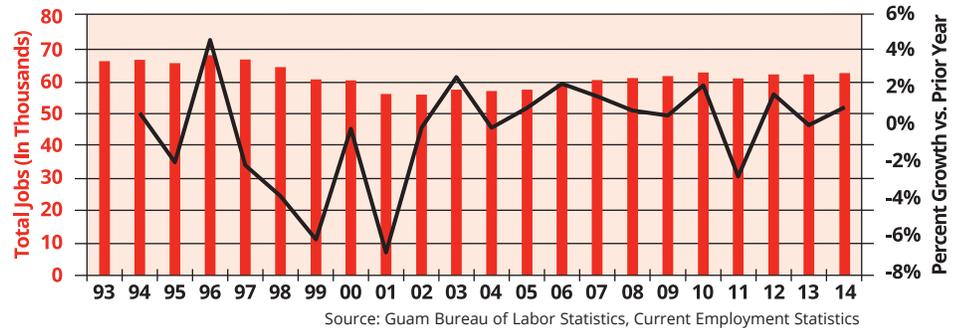


CHART 10 - GUAM JOBS GROWTH, 1993-2014



By all accounts, Guam's economy grew for a third straight year in 2014 and should sustain growth momentum in 2015.

By all accounts it also grew in 2014 (although estimates are not yet available) and promises to sustain that growth momentum in 2015 for a fourth consecutive year.

MODEST JOBS GROWTH, LOWER UNEMPLOYMENT IN MARCH 2014:

Data from the Guam Department of Labor-Bureau of Labor Statistics (Chart 10) show a 1% growth in overall employment in Guam in 2014 compared to a flat year in 2013. Contributing most to the growth in 2014 were Federal sector jobs, up 2.7%, with private sector jobs up 0.99% and local

government (GovGuam) jobs up 0.43%. Share-wise, private sector jobs continued to make up nearly 75% of all jobs in Guam, with Federal and local government jobs making up 6.61% and 18.6%, respectively.

This year is doing well in terms of job growth. Expected to open in June, the resort hotel-Dusit Thani Guam-has already hired about 250 people and expects to fill another 100-150 positions. (*Pacific Daily News*, 2015, April 29). A private hospital — Guam Regional Medical City — plans to eventually hire up to 700 people, and 75% must be U.S. citizens or permanent residents (GRMC press release, 2014, December 22) as required by the \$170 million in tax abatements given to the hospital over the next 20 years. (*Marianas Variety*, 2015, January 10)

(Continued on page 6)

JOBS GROWTH (Continued from page 5)

In October, the Guam BLS estimated Guam's unemployment rate for March 2014 to be 7.4%, the lowest rate since September 2006. Although generally good news, this rate masks the persistently high number of people who do not participate in Guam's labor market; that total stood at 49,300, 40% of the civilian population or 31% of Guam's total population.

March 2014 unemployment rate of 7.4% was lowest in eight years.

To what extent do local wages affect an individual's decision to enter the labor force? Data from the Guam BLS for December 2014 show the average hourly rate for private sector jobs at \$13.20, up 3.37% from a year earlier. The \$22.07 average hourly rate for GovGuam jobs had risen 2.65% from the prior year. Additional information from a different source, the latest U.S. Department of Labor-Bureau of Labor Statistics' *Occupation and Employment Survey* for May 2014, shows the average hourly rate of \$16 in all occupations, up 1.44% from the previous survey two years ago. The verdict is still out on how the increase in minimum wage from \$7.25 to \$8.25 per hour effective this year will affect the economy. A law was signed to analyze these economic effects next year.

LOW INFLATION IN 2014:

Inflation stayed low at 0.80% in 2014, compared to the 0% inflation rate in 2013. So far, this year poses no inflation threats, with the latest figure (Chart 11) showing overall prices in Guam during the first quarter 0.3% lower than the same quarter in 2014.

Some have expressed the fear that the increased minimum wage at the beginning of 2015 would lead to inflation. Others argue

CHART 11 - GUAM INFLATION RATE, 1997-2015

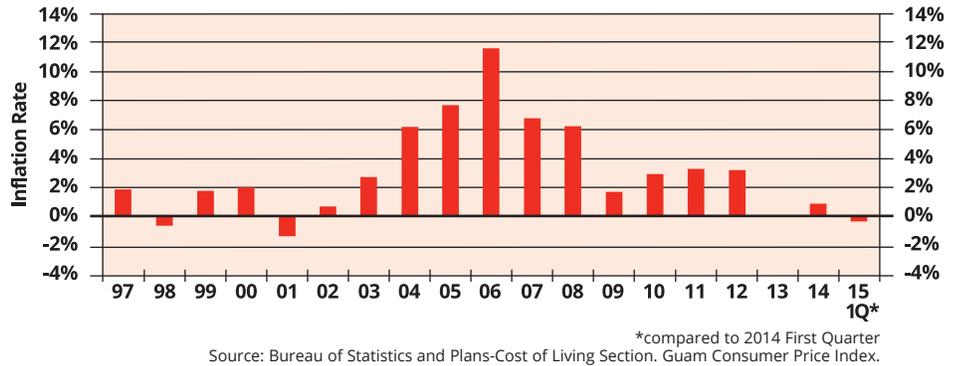
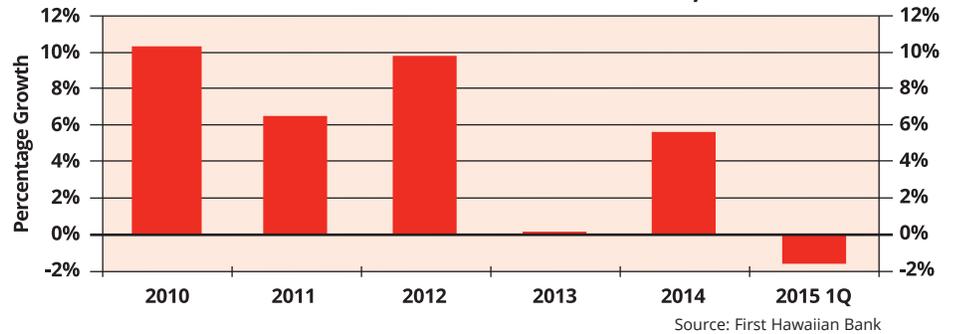


CHART 12 - CARD SPENDING GROWTH, 2010-15



that businesses preempted the higher minimum wage by increasing prices last year, though no such trend was reflected in the Guam Consumer Price Index. However, fuel prices have recently begun increasing, which could potentially add to future inflation.

FIRST HAWAIIAN BANK CARD SPENDING:

First Hawaiian Bank, largest local processor of credit and debit card transactions in Hawaii, provides merchant services to nearly 7,000 customers throughout Hawaii, Guam, and CNMI. On a same-store basis, Chart 12 shows purchases made using debit and credit cards increased by 5.6% during 2014 compared to practically no growth in 2013. For the first quarter of 2015, card spending was virtually flat, down 1.6% compared to the first quarter of 2014.

First Hawaiian Bank business activity report shows 5.6% rise in card spending during 2014.

Many purchases were paid for by tax refunds as the GovGuam continues to mail out checks to taxpayers within the timeframe mandated by the court (six months after filing the tax return). GovGuam paid \$142 million tax refunds during 2014 (*Pacific News Center*, 2014, December 23). So far this year, GovGuam has already issued \$61.3 million in tax refund checks to those who filed Status A and error-free tax returns through February 11th. (*Pacific News Center*)

CNMI Economy: Tourism Growth Fuels Optimism for 2015

The economy of the Commonwealth of the Northern Mariana Islands (CNMI) has been sustaining its growth momentum. Key economic developments affecting the CNMI in 2014 include:

- Sustained growth in tourism; construction of new hotels and casino in Saipan.
- Lower uncertainty with Federalization: no minimum wage increase this year and transition period extended to 2019.
- Job growth. A recent report by the CNMI Department of Labor shows growth, with 826 job openings posted during the first three months of 2015. (*Saipan Tribune*, 2015, April 10)
- Military plans for Tinian and Pagan revealed and currently under public review.

These developments, especially in tourism, combined with U.S. Federal spending as well as military activity already in place (not including proposed plans detailed below), fuel economic optimism for 2015.

TOURISM:

As expected, strong tourism has been driving the economic growth in the CNMI. After the last recorded decline in visitor arrivals in 2011, Chart 1 shows that CNMI experienced three consecutive years of growth in arrivals. As shown in Chart 2, 37% of visitors came from China, 31% from Korea, 24% from Japan and 8% from other tourist markets. Compared to the previous year, share of tourists from Japan declined but was made up for by an increase in tourists from China.

CNMI posts third straight year of increasing visitor arrivals, with growth continuing into 2015 as well.

CHART 1 - SAIPAN VISITOR GROWTH, 2005-15

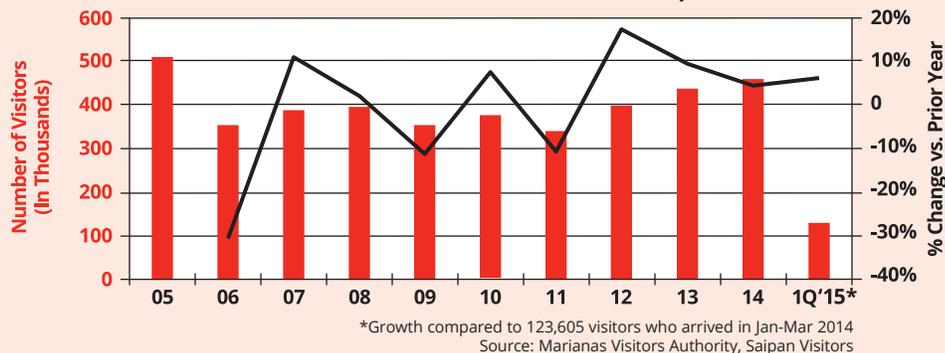


CHART 2 - SOURCES OF SAIPAN VISITORS, 2013-14

Visitors from	2013	% total	2014	% total
Japan	141,747	32%	109,793	24%
Korea	139,958	32%	142,081	31%
China	116,967	27%	170,121	37%
Others	40,103	9%	37,245	8%
Total	438,775	100%	459,240	100%

Sources: Marianas Visitors Authority, Saipan Visitors

Estimates for January to March 2015 show 6.1% more visitors this year compared to the same months of 2014. March alone brought 40% more visitors from Korea and 31% from China compared to March last year, making up for 34% and 80% decreases in visitors from Japan and Russia, respectively. The main factor in these trends appears to be airline seat availability combined with promotional efforts by the Marianas Visitors Authority and its partners (for example, Tinian Dynasty Holiday and Century Tours promote to different cities in China). (*Saipan Tribune*, 2015, April 17)

As a result, hotel rooms have been selling and room rates increasing. Latest data from the Hotel Association of the Northern Mariana Islands show hotel occupancy rate at 83.75%, down 3% from March 2014, while the weighted hotel room rate increased to \$124.42 from \$116.57 in March 2014. Between January and March 2015, hotel occupancy stood at 89.17% and weighted room rate at \$147.09. (*Marianas Business Journal Data Bank*, 2015, April 20)

CONSUMER SPENDING:

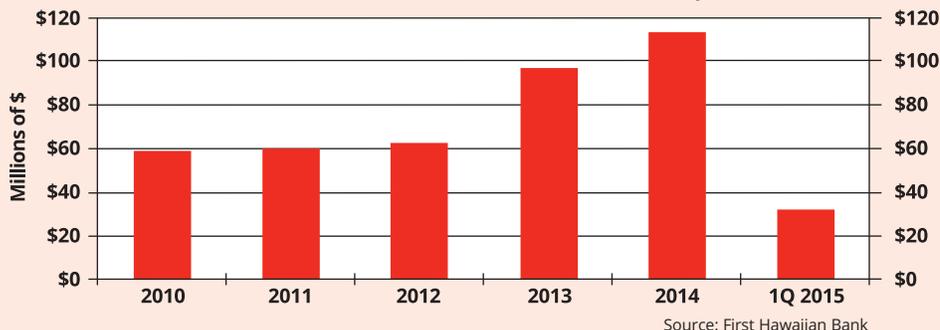
A gauge of the increased spending by tourists and local residents alike can be seen from merchant credit and debit card activity processed by First Hawaiian Bank (Chart 3 on Page 8.) Same-store card spending increased nearly 11% in the CNMI during 2014. The latest data shows card spending activity to be up 4.3% for the first quarter of 2015.

The last available inflation figure was for the fourth quarter of 2013, showing overall prices declined by 2.5%. (CNMI Department of Commerce, 2014, November)

(Continued on page 8)

First Hawaiian card-use report shows spending rose 4.3% in first quarter of 2015.

CHART 3 - CARD SPENDING IN SAIPAN, 2010-14



CNMI ECONOMY (Continued from page 7)

FEDERALIZATION PROCESS:

This year brings more certainty and, to some extent, stability with regard to CNMI's Federalization process. First, 2015 is the second of the two-year delay approved by President Obama in September 2013 allowing CNMI to skip its annual 50-cent increase in the minimum wage in 2013 and again in September this year. This would leave the current minimum wage at \$6.05 since September 30, 2014.

Second, several immigration policies were extended past their December 31, 2014 deadline, including the CNMI-only transition visas for foreign workers (CW-1), which are now valid through December 31, 2019. This extension allows local businesses to renew visas for foreign workers they currently employ or apply for the first time to hire foreign employees subject to the annual federal limit, which will be 13,999 for fiscal year 2016. This limit will go down to zero as the CW-1 visa category is phased out after December 31, 2019. During that time, local businesses employing foreign workers in the CNMI will have to compete with businesses in the U.S. to apply for H1-B and H2-B visas, subject to annual quotas set by the U.S. Congress. The quotas are 65,000 and 66,000, respectively, for the current fiscal year, unless CNMI (and Guam) continues

A 2013 law allows CNMI to delay minimum-wage increases for 2013 and 2015.

to receive exemptions. The CNMI-only non-immigrant investor visa (E-2C), which reduces the minimum required investment (\$50,000 vs. \$150,000) by foreign investors to reside in the CNMI, is now valid until December 2019, thanks to President Obama's approval of H.R. 83 last December. (*Marianas Variety*, 2014 December 12) H.R. 83 also extends CNMI's current parole system, which makes it easier for tourists from China and Russia to visit the CNMI without obtaining tourist visas in advance.

U.S. MILITARY PLANS:

However, some uncertainty exists with regard to the status of U.S. military plans on the islands of Tinian and Pagan. Tinian, where two-thirds of the land is already leased to the military, is home to 2000 residents. Pagan's permanent residents were evacuated during the 1981 volcanic eruptions. The CNMI community now has access to more details of these plans from the Draft Environmental Impact Statement (DEIS) released in April. As part of the U.S.-Japan military realignment that includes Guam, the U.S. military proposes to locate a live-fire training range in Tinian and Pagan.

There appears to be strong and extremely vocal opposition to the proposal spelled out in the DEIS, with particular concern about the use of mortars and grenades. Even the business community, represented by the Saipan Chamber of Commerce, plans to change its earlier, more supportive position, stating that "the overall impact of the training seems to be more extreme than what was originally proposed to the Chamber almost two years ago." (*Saipan Tribune*, 2015, May 7)

Local lawmakers have asked the Department of Defense to extend the public comment period six months past its June deadline. A delay was approved for an additional two months. The final EIS is targeted for July 16, 2016 and a Record of Decision for August 16, 2016. (*Saipan Tribune*, 2015, May 15) The U.S. Department of the Interior has provided \$250,000 to the CNMI Governor's Office to hire consultants to review the DEIS and provide recommendations to the Governor and the people of the CNMI.

Opposition surfaces to U.S. military plans for firing ranges on Tinian and Pagan.

GROSS ISLAND PRODUCT (GIP):

Estimates of the GIP by the U.S. Department of Commerce-Bureau of Economic Analysis show two consecutive years of growth in 2012 and 2013. CNMI's GIP in 2013 was \$600 million (in 2005 prices), up 4.53% from 2012. With a decrease in population to an estimated 51,200 in 2013, the per capita real GIP was \$11,719, up 4.94%. Many expect the 2014 GIP estimate, once it becomes available, will show another growth year.

ACKNOWLEDGMENTS

The following individuals (in alphabetical order) are acknowledged for providing useful information and insights and administrative assistance.

Ms. Lillian R. Chargualaf
Administrative Officer, University of Guam-School of Business and Public Administration

Ms. Natasha Cruz
Extension Associate, University of Guam-School of Business and Public Administration

Ms. Laura-Lynn Dacanay
Senior Vice President, Guam-CNMI Region Manager at the First Hawaiian Bank

Dr. Anita Borja Enriquez
Senior Vice President, University of Guam and Director of the Pacific Center for Economic Initiatives, University of Guam

Ms. Siska S. Hutapea
President, Cornerstone Valuation Guam, Inc.

Ms. Jackie Hanson
Managing Director, Glimpses Publications

Mr. Albert Perez
Chief Economist, Guam Bureau of Statistics and Plans

Ms. Lourdes Sanchez
Sales and Marketing Manager, First Hawaiian Bank-Guam

Dr. Annette Tajeron Santos
Interim Dean of the School of Business and Public Administration, University of Guam

Dr. Fred R. Schumann
Associate Professor of Global Resource Management, University of Guam-School of Business and Public Administration

REFERENCES

Asian Development Bank (2015, March). Asian Development Outlook 2015.

Captain Real Estate Group of Companies (1999-2011). Real Estate Statistics.

CNMI Department of Commerce (2014, November), Consumer Price Index of the Commonwealth of the Northern Marianas, Fourth Quarter of 2013.

CNMI Department of Commerce (2014, November). Economic Indicators: 2013, 3rd and 4th Quarters.

Cornerstone Valuation Guam, Inc. Database. Real Estate Statistics, 2012-First Quarter 2015.

Guam Bureau of Statistics and Plans (2015, April). Guam Consumer Price Index, 1st Quarter 2015, Vol. XLI, No. 1.

Guam Business Magazine (2015, March-April). Economic Outlook by Siska S. Hutapea. Economic Outlook: No room at the inn: Guam's hotel market sees rooms lacking but investment interest increasing

Guam Business Magazine (2014, November-December). Economic Outlook by Siska S. Hutapea. Economic Outlook: Guam real estate activity hints positive

Guam Department of Labor, Bureau of Labor Statistics (various issues). Current Employment Statistics.

Guam Department of Labor, Bureau of Labor Statistics (latest). Historical Employment Statistics.

Guam Department of Labor, Bureau of Labor Statistics (latest). Historical Unemployment Employment Statistics.

Guam Department of Labor, Bureau of Labor Statistics (various issues). The Unemployment Situation on Guam.

Guam Hotel and Restaurant Association (various issues). Summary Statistical Report

Guam Regional Medical City (2014, December 22). Press Release: GRMC QC Will Benefit the Island Community, as Well as the Hospital.

Guam Visitors Bureau (various years). Guam Visitor Statistics.

Guam Visitors Bureau (2015, January 29). New Release: Dynamic Airways to Bring Nearly 3,000 Tourists to Guam for Chinese Lunar New Year

Guam Visitors Bureau (2015, January 24). New Release: Korea Market gets boost from Jeju Air

Guam Visitors Bureau (2014, February). Tourism 2020.

<http://finance.yahoo.com> (2015, May 1). Currency Conversion.

<http://www.usaspending.gov> (2015, May 1).

Hutapea, Siska S. (2015, March-May). Email communications.

KUAM (2015, February 6) by Ken Quintanilla. New QC creates opportunities for hospitality companies.

Marianas Business Journal (2015, February 23). T'way Air to launch daily Seoul-Guam service.

Marianas Business Journal (2015, February 9) by Thomas Johnson. GVB and MVA share destination marketing plans.

Marianas Business Journal (2014, December 1). Direct flights from Russia to Marianas to resume in February.

Marianas Business Journal (2014, November 17). U.S., China make reciprocal agreement on length of visa validity.

Marianas Business Journal (2014, November 17). China Airlines to double service.

Marianas Business Journal (2014, November 3). United expands Pacific routes.

(Continued on page 10)

REFERENCES (Continued from page 9)

Marianas Business Journal (2014, October 6) by Jackie Hanson. Jin Air increases Guam-route seat capacity by 52%.

Marianas Business Journal (various issues). Data Bank.

Marianas Variety (2014, December 12) by Alexie Villegas Zotomayor. US Senate passes spending bill that includes extension of E2-CNMI visa program.

Marianas Visitors Authority (various issues). Saipan Visitors.

Office of the Guam Congressional Delegate (2015, February 2). Statement on the President's Budget Proposal for Fiscal Year 2016.

Office of the Guam Congressional Delegate (2014, December 4). Statement on House Passes FY15 NDAA Conference Bill.

Pacific Daily News (2015, April 29) by Gaynor Dumat-ol Daleno. Dusit Thani to open May 15.

Pacific Daily News (2015, April 29) by Gaynor Dumat-ol Daleno. US, Japan defense officials announce implementation of troop relocation.

Pacific Daily News (2015, April 23) by Gaynor Dumat-ol Daleno. Major military spending proposed.

Pacific Daily News (2015, April 22) by Gaynor Dumat-ol Daleno. GVB's tourism goal questioned: Bureau wants 2 million visitors annually.

Pacific News Center (2015, May 5). \$7 Million in Tax Refunds to be Mailed Out.

Pacific News Center (2015, April 28). \$15.4 Million in Tax Refunds to be Mailed Out Today.

Pacific News Center (2015, April 17) by Clynt Ridgell. \$15 Million in Tax Refunds Mailed Out.

Pacific News Center (2015, April 7) by Clynt Ridgell. \$6 Million in Tax Refunds Mailed Out.

Pacific News Center (2015, March 24) by Clynt Ridgell. \$6 Million in Tax Refunds Mailed Today; Senator San Nicolas Says More Should Be Paid.

Pacific News Center (2015, February 11) by Clynt Ridgell. \$1.8 Million in Tax Refunds Mailed Out Today; 15 Thousand Taxpayers Have Already Filed.

Pacific News Center (2015, January 13) by Roselle Romanes. Direct Flights From Russia to Guam Delayed Indefinitely.

Pacific News Center (2014, December 23) by Clynt Ridgell. \$1.7 Million in Tax Refunds to be Mailed Out.

Saipan Tribune (2015, May 15) by Dennis B. Chan. EIS review extension reshapes timeline for environmental review.

Saipan Tribune (2015, May 7) by Frauleine S. Villanueva. Chamber to reposition view on military use of NMI lands.

Saipan Tribune (2015, April 17). Visitor arrivals continue to rise, up 5 pct. in March.

Saipan Tribune (2015, April 16) by Jayson Camacho. MVA's exit survey ongoing; 2,200 surveyed so far.

Saipan Tribune (2014, August 13). Lottery Commission, Best Sunshine reach agreement.

Taipei Times (2014, December 25) by Amy Su. TransAsia Airways announces plan to purchase four new aircraft from Airbus.

U.S. Department of Commerce, Bureau of Economic Analysis (2014, November 19). Press Release: The Bureau of Economic Analysis (BEA) Releases 2013 Estimates of Gross Domestic Product for Guam.

U.S. Department of Commerce, Bureau of Economic Analysis (2014, November 17). Press Release: The Bureau of Economic Analysis (BEA) Releases 2013 Estimates of Gross Domestic Product, Gross Domestic Product by Industry, Compensation by Industry and Detailed Consumer Spending for the Commonwealth of Northern Mariana Islands.

U.S. Department of Commerce, Bureau of Economic Analysis (2012, September 24). Press Release: The Bureau of Economic Analysis (BEA) Releases Estimates of Gross Domestic Product, Gross Domestic Product by Industry, Compensation by Industry and Detailed Consumer Spending for Guam.

U.S. Department of Homeland Security, Citizenship and Immigration Services (n.d.) U.S. Immigration Law in the Commonwealth of the Northern Mariana Islands (CNMI). <http://www.uscis.gov/laws/immigration-commonwealth-northern-mariana-islands-cnmi/us-immigration-law-commonwealth-northern-mariana-islands-cnmi>

U.S. Department of Labor (2014, June 3). News Release: US Secretary of Labor extends transitional worker program in the Commonwealth of the Northern Mariana Islands.

U.S. Department of Labor, Bureau of Labor Statistics (2014, May). Occupation and Employment Survey.

U.S. Department of Labor, Bureau of Labor Statistics (2012, May). Occupation and Employment Survey.

The White House-Office of the Press Secretary (2015, April 28). Remarks by President Obama and Prime Minister Abe of Japan in Joint Press Conference.

The White House-Office of the Press Secretary (2014, December 16). Statement by the Press Secretary on H.R. 83.