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Economist: Labor shortage, North Korea pose risks

Gaynor D. Daleno | The Guam Daily Post Apr 24, 2017



Joseph Bradley



Economic signals

Bank of Guam Chief Economist Joseph Bradley last week held an economic presentation for Bank of Guam customers. Here's a snapshot of certain factors that affect the local economy, from his presentation:

- The military buildup is finally getting funding, but the labor shortage is suddenly causing serious problems
- China's growth is still slowing down
- Japan's economy is still stagnant
- South Korea's economy is back on track
- The U.S. economy is doing better
- Despite rising U.S. interest rates, the U.S.dollar has fallen against the yen. From six months ago, the dollar has fallen by 4.8 percent
- The South Korean won has remained remarkably stable at 1,135/dollar

The ongoing labor shortage of skilled construction workers and the tension involving North Korea are hovering over as clouds in Guam's economic horizon, a local economist said.

The military's construction projects related to the construction of a Marine Corps base are now getting funded, and have created an increased demand for workers, which boosts the economy.

But this development occurred while Guam is experiencing challenges with getting approved for petitions for H-2B foreign workers, said Joseph Bradley, chief economist and a senior vice president at the Bank of Guam.

"The labor shortages, in conjunction with the H-2B well running dry," Bradley said, have caused challenges for the construction sector.

With the limited number of skilled construction workers, base contractors have been hiring workers away from civilian community contractors, driving up construction labor wages substantially, he said.

"It is primarily the labor shortage that is driving up construction costs and delaying project completions," Bradley said. "I don't think that fuel costs are much of a factor at this point, since they have been relatively stable.

"I anticipate that West Texas Intermediate oil will stick in a range of \$45 to \$55 per barrel for the foreseeable future due to the new extraction technologies, such as shale oil and fracking," Bradley said.

"With rising ... construction costs, our nascent economic recovery is at risk," he said.

Tourism forecast

The other main leg of Guam's economy, tourism, has been seeing robust arrivals from South Korea, which have helped offset the continuing slide in arrivals from Guam's main market, Japan, Bradley said.

"As far as I can tell, while the Korean visitors don't spend as much on a per capita basis, they are making up the difference in sheer numbers of arrivals," according to Bradley.

South Koreans stay a little longer in Guam, compared with Japanese tourists' average stay, he said, quoting the Guam Visitors Bureau. Japanese tourists stay in Guam for three days on average, and South Koreans stay closer to four days on average, according to previous GVB statistics.

Guam continues to see Japan arrivals slip even when, according to Bradley, the dollar has weakened against the yen.

When the yen strengthens against the U.S. dollar, Japanese consumers will find it more affordable to spend on a Guam vacation.

The South Korean numbers have been increasing in double-digit numbers based on GVB data.

But with the South Korean visitor market, there's a caveat, Bradley said.

"If North Korea becomes more belligerent, all bets are off for tourism," he said.