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# Palau Quarterly Economic Report

No.2 Oct 2005

## Summary

The Palau Quarterly Economic Report summarizes key economic indicators in Palau since 2004. It provides a brief summary of the current state of the economy along with assessments of their impacts.

## Economic Trend of Palau (2<sup>nd</sup> Quarter 2005)

The Palau economy continued to perform strongly in the second quarter, 2005. The strong economic growth was accompanied by solid gains in employment, ongoing increase of gross revenue tax and business licenses issued. However number of foreign visitor arrivals declined of about 16.3% compared to the same quarter a year ago.

Employment grew about 3.6% in the 2nd quarter 2005. Wages, as measured by sector, hotels and restaurant showed about 66.3% gain.

Gross revenue tax and business license issuance continued to increase for two consecutive quarters.

Robust economic growth showed consistency with the 2nd quarter 2005, Palau Business Outlook.

## Overseas visitors decreased

Tourism plays a key role in the growth of Palau's economy. In second quarter of 2005, total number of overseas visitors was 18,750, a decline by 16.3% from last year. Although number declined, it is still at its high level this quarter since total visitor arrivals reached its high peak level last year. Compared by country of residence, Taiwanese contributes the highest number at 9,185, a decrease by 18.6% from previous year's value. On the other hand, U.S Mainland, Japanese, Guam/CNMI numbers

increased by 79.6%, 8.1% and 6.1% respectively. Overall total of overseas visitors, tourist formed the largest group at 16,071 followed by employment at 1,472 and business arrivals at 1,196.

## Building permit decreased

Building permit statistics are used widely by both public and private sector to monitor number and value of building permit issued. It is one of the leading indicators used to analyze the general level of economic activity, employment and investment. Second quarter 2005 numbers showed a decrease of about 39%. Both commercial and government construction drastically decreased by 60% and 70% respectively, with a slight decrease in residential permits of 11%. Although we see a decrease in numbers of permit issued, it does not necessarily mean a downswing in construction sector; however, permits which were issued last year with longer construction period are still in progress.

## New Business License increased

In second quarter 2005, total of 125 business licenses were issued to different sectors, an increase of about 5.9% compared to last year. About 41 licenses were issued to other community, social and personal service sector, 25 to Wholesale and retail trade, 25 to Real estate, rent and business activities and 14 to Transport sectors. Evidently the increase in number of license issued match up with the increase in employment numbers.

### Gross Revenue Tax increased

Gross revenue tax is one of dominant contributor to Palau's current revenue. In 2nd quarter 2005, gross revenue tax reached \$ 2.3 million, about 1.4% increase from the previous year level. Order by industry, wholesale and retail trade contributed the most at about \$1.0 million, an increase by 33.4% from last year's level, followed by Transport and storage at about \$ .21 million, 8.9% increase, and construction contributing \$ 0.16 million, about 36.3% higher, while real estate and other business contributed \$0.37 million, a decrease by 15.3%, and hotels and restaurant at \$0.3 million, 6.8% cut.

### Trade decreased

The quarterly trade balance estimates serve as a good indication of international transactions. Import figures in second quarter 2005 were \$27.3 million, a decrease by 13.4% from the previous year. Export value was \$ 0.08 million, decreased by 83.2% from a year earlier.

### CPI slightly increased

The Consumer Price Index (CPI) measures quarterly changes in the price of goods and services purchased by private households in Palau. Movements in indexes from one period to another can be expressed either as changes in index points or as percentage changes. Growth in Palau's overall CPI increased by 3.5% from last year's value. Higher transportation prices,

which rose 7.3% made a substantial contribution with higher oil prices. Household operation also contributed 5.1% to the increase. Items in alcohol, tobacco & betel nut (5.3%), health, education & services (5.0%) groups contributed to the overall CPI increase as well. On the other hand, items in clothing & footwear and housing groups decreased by 3.2% and 2.0% respectively.

### Employed wages Increased

Employment in Palau continued to grow since 2004. Number of employed persons increased 3.6% in second quarter 2005. Wages, as measured by sector, hotels and restaurant showed about 66.3% gain followed by transport & communication at 6.0% and construction at 4.2%. Wholesale and retail trade sector remained unchanged while financial intermediation, public administration decreased by 3.0% and 1% respectively.

## Trend of Major Economic Indicators

(Rate of change compared to the previous quarter)

