
Palau Quarterly Economic Report

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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 (3rd Quarter 2005)

The Palau economy continued to perform strongly in the third 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 3rd quarter 2005, Palau Business Outlook.

Overseas visitors decreased

Tourism plays a key role in the growth of Palau's economy. In third quarter of 2005, total number of overseas visitors was 24,682, a decline by 5.6% 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 10,381, a decrease by 6.9% from previous year's value. Japanese came second at 7,804, an increase of 5% from last year's level. U.S

Mainland, Guam/CNMI and Other Countries numbers decreased by 28.0%, 10.7% and 10.1% respectively. Overall total of overseas visitors, tourist formed the largest group at 22,093 followed by employment at 1,593 and business arrivals at 1,217.

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. Third quarter 2005 numbers showed a decrease of about 62%. Both commercial and government construction drastically decreased by 100%. Residential permits on the other hand increased significantly. 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 third quarter 2005, total of 93 business licenses were issued to different sectors, an increase of about 2.1% compared to last year. About 29 licenses were issued to wholesale and retail, 21 to real estate, 14 to other community, social and personal service activities. 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 3rd quarter 2005, gross revenue tax reached \$ 2.2 million, about 0.9% increase from the previous year level. Order by industry, real estate contributed the most at about \$.86 million, an increase by 3.8% from last year's level, followed by wholesale and retail at about \$.68 million, 0.7% increase, although hotels and restaurants declined by 0.8% from last year's level, it's one of the top three industries with \$ 0.20 million.

Trade decreased

The quarterly trade balance estimates serve as a good indication of international transactions. Import figures in third quarter 2005 were \$25.1 million, a decrease by 26.8% from the previous year.

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 in third quarter 2005 increased by 4.3% from last year's value. Higher prices of items in health, personal care, education & services group increased at about 17.3% compared to last year's value followed by

Household operations group at 8.7%, Transportation group at 6.8%, Alcohol, Tobacco & Betel nut group at 6.0%, Clothing and Footwear at 2.4% and Housing at 0.2%. On the other hand, items in Food and Beverage group and Leisure and Entertainment decreased by 6.1% and 4.4% 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)

