State Forecast Update:
Recent data confirm weaker growth

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August 27, 2019
Visitor arrivals, spending set new records in 2017

By Allison Schaefer | January 31, 2018  Updated January 31, 2018 9:48am

Beachgoers in Waikīkī on a Saturday afternoon. Hawaii’s visitor industry set five new tourism records in 2017, which brought nearly 9.4 million visitors and nearly $16.8 billion in visitor spending to the state.

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For Immediate Release  
May 17, 2018

Hawaii's Unemployment Rate at New Record 2.0 Percent in April
Jobs Increase 8,600 Over the Year

HONOLULU — The Hawaii State Department of Labor & Industrial Relations (DLIR) today announced that the seasonally adjusted unemployment rate for April was 2.0 percent, compared to 2.1 percent for October 2017 through March 2018. Statewide, 671,700 were employed and 14,000 unemployed in April for a total seasonally adjusted labor force of 685,700. Nationally, the seasonally adjusted unemployment rate was 3.9 percent in April, compared to 4.1 percent for
More growth will be hard to find

Visitor arrivals, spending set new records in 2017

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Tourism boom is probably over

Average Daily Census

Source: HTA, BLS, UHERO. Nominal visitor spending deflated using Honolulu CPI.
https://tinyurl.com/UHERO-State-census-spending
Tourism boom is probably over

will real spending recover?

Source: HTA, BLS, UHERO. Nominal visitor spending deflated using Honolulu CPI.
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May 30, 2019 Celebrating Twenty Years of Service to Hawaii
Low unemployment is a sign of a strong national economy and hasn’t been this low since

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But not in Hawaii

mostly a sign of shrinking workforce

Source: Census, BLS, UHERO.  https://tinyurl.com/UHERO-Pop-LF-Empl
But not in Hawaii

mostly a sign of shrinking workforce

Population (left axis)
Labor force
Employment

Source: Census, BLS, UHERO. https://tinyurl.com/UHERO-Pop-LF-Empl
US growth underpins Hawaii’s ongoing expansion

very few signs of recession, for now

US real GDP growth

Average in this expansion

Source: BEA, UHERO

May 30, 2019
Celebrating Twenty Years of Service to Hawaii
But the Trade War is a real threat

Composition of US tariffs on Chinese imports

Phase 1: $50 billion list (25%)
- Intermediate Goods 53%
- Capital Goods 42%

Phase 2: $200 billion list 10% → 25% on 5/10/19
- Intermediate Goods 50%
- Capital Goods 25%
- Consumer Goods 24%

Source: Peterson Institute for International Economics
But the Trade War is a real threat

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- Intermediate Goods 53%
- Capital Goods 42%

Phase 2: $200 billion list 10% → 25% on 5/10/19
- Intermediate Goods 50%
- Capital Goods 25%
- Consumer Goods 24%

Potential Phase 3: $267 billion list
- Intermediate Goods 15%
- Capital Goods 44%
- Consumer Goods 40%

Source: Peterson Institute for International Economics
Which sector will lead?

contributions to Hawaii 2016 GDP

- State and Local Gov: 9.4%
- Trade: 9.8%
- Accom & Food Srvcs: 8.7%
- Tourism: 16.6%
- Transport: 4.9%
- Federal: 11.7%
  - Civilian: 5.1%
  - Military: 6.6%

Source: BEA, UHERO, DBEDT
Which sector will lead?

contributions to Hawaii 2016 GDP

Federal = 11.7%
  5.1% Civilian
  6.6% Military

State and Local Gov 9.4%

Trade 9.8%

Accom & Food Srvcs 8.7%

Health Care 6.7%

Construction 6.3%

Finance & Ins 3.4%

Transport 4.9%

Tourism = 16.6%

Source: BEA, UHERO, DBEDT

May 30, 2019
Celebrating Twenty Years of Service to Hawaii
Which sector will lead?

contributions to Hawaii 2016 GDP

- Other: 39.1%
- State and Local Gov: 9.4%
- Federal: 11.7% (5.1% Civilian, 6.6% Military)
- Tourism: 16.6%
- Trade: 9.8%
- Accom & Food Srvcs: 8.7%
- Health Care: 6.7%
- Construction: 6.3%
- Finance & Ins: 3.4%

Source: BEA, UHERO, DBEDT

May 30, 2019

Celebrating Twenty Years of Service to Hawaii
Hospitality and tourism have contributed so far

Source: HTA, BLS, UHERO. Nominal visitor spending deflated using Honolulu CPI. https://tinyurl.com/UHERO-arrivals-vs-spending
Hospitality and tourism have contributed so far

real spending has likely peaked

Source: HTA, BLS, UHERO. Nominal visitor spending deflated using Honolulu CPI.
https://tinyurl.com/UHERO-arrivals-vs-spending
But long run path will be constrained by capacity.

Real spending has likely peaked.

Visitor Arrivals (left axis)

Visitor Plant

Source: HTA, UHERO.
Federal spending has not recovered from sequestration

Hawaii federal civilian + military employment and earnings

Source: BEA, BLS, UHERO, real series deflated using Honolulu CPI.
Federal spending has not recovered from sequestration

Hawaii federal civilian + military employment and earnings

Real Federal Labor Earnings

Federal employment (left axis)

Source: BEA, BLS, UHERO, real series deflated using Honolulu CPI.
As a result, real earnings still below previous peak

Source: BEA, BLS, UHERO, non-military, non-farm earnings are deflated using Honolulu CPI.
Slower growth is still better than the alternative

Hawaii jobs and real income forecasts

Source: BLS, BEA, UHERO

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But long run forecast is for even slower growth

Hawaii jobs, population, and real income forecasts

Source: BLS, BEA, UHERO

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Preparing for September forecast release

Is it time to panic?

- US Strengths: labor market, consumer spending, housing starts
- US weakness: investment, trade, policy by tweet
- Risks are clearly to the downside

Hawaii forecast update thinking

- Growth is pau— labor market weakness and limited income growth
- Tourism boom is over
- At best, Hawaii will see very weak growth in 2019-20

- Risks:
  - Trade war,
  - European recession,
  - US recession?
  - Bill 89 impacts on tourism, home prices, construction, macroeconomy
May 30, 2019

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UHERO STATE FORECAST UPDATE

HAWAII'S GROWTH DOWN, BUT NOT OUT

UPDATES

OCTOBER 19, 2018
Some thoughts on property taxes and school funding

OCTOBER 8, 2018
New research on urban landlords and the Housing Choice Voucher Program

OCTOBER 1, 2018
Mandatory Food Waste Recycling Ordinance for Large Food Establishments in Honolulu, Hawaii

WEER

ENERGY POLICY AND PLANNING GROUP

WORKSHOP ON ENERGY AND ENVIRONMENTAL RESEARCH

LATEST FORECAST

After Pullback, Construction Prospects Firm

September 28, 2018

Read the Public Summary

MORE UHERO FORECASTS

PUBLIC SUMMARY

Non-Farm Payrolls
Year-Over-Year
% Change

May 30, 2019

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https://tinyurl.com/UHERO-4countyUR-html