UNIVERSITY OF HAWAI'I
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UHERO

THE ECONOMIC RESEARCH ORGANIZATION
AT THE UNIVERSITY OF HAWAI'I

State Forecast Update: Recent data confirm weaker growth

Dr. Carl Bonham
Executive Director, UHERO

HECO
Forecast Assumption Working Group
August 27, 2019

More growth will be hard to find

BUSINESS BREAKING | TOP NEWS

Visitor arrivals, spending set new records in 2017

By Allison Schaefers | January 31, 2018 *Updated January 31, 2018 9:40am*

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STAR-ADVERTISER / JULY 2017

Beachgoers in Waikiki 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.

ADVERTISING

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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

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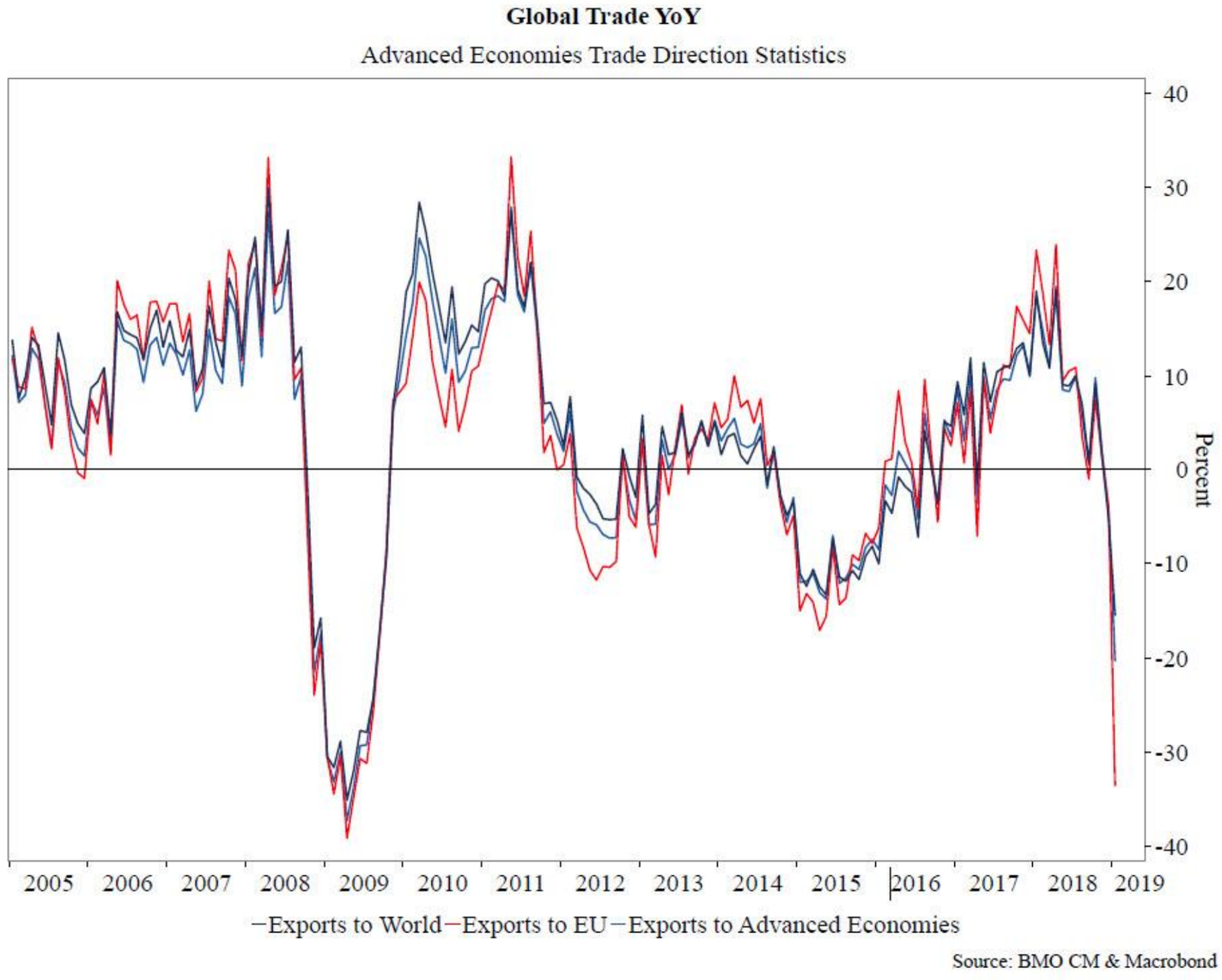

Source: BMO CM & Macrobond

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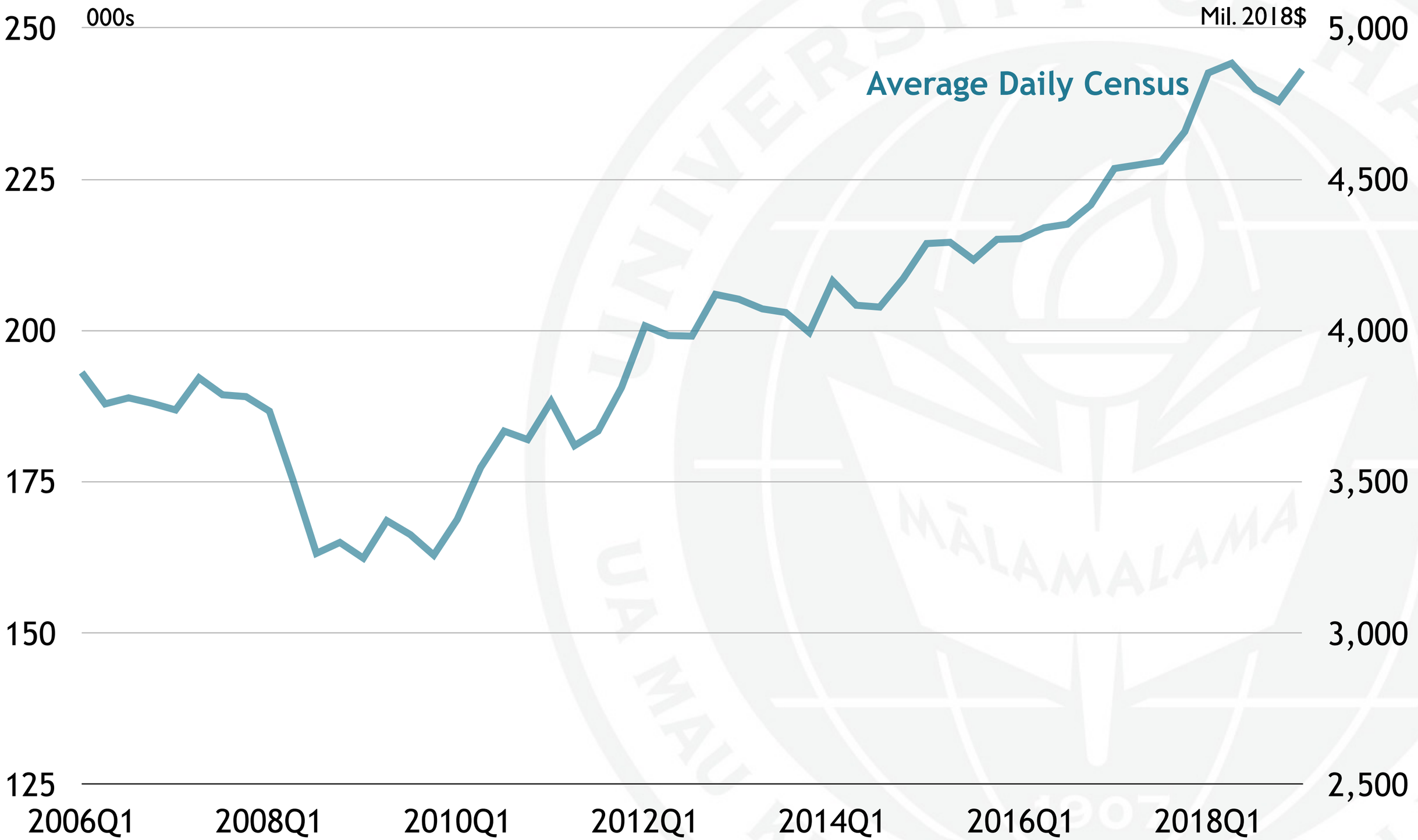
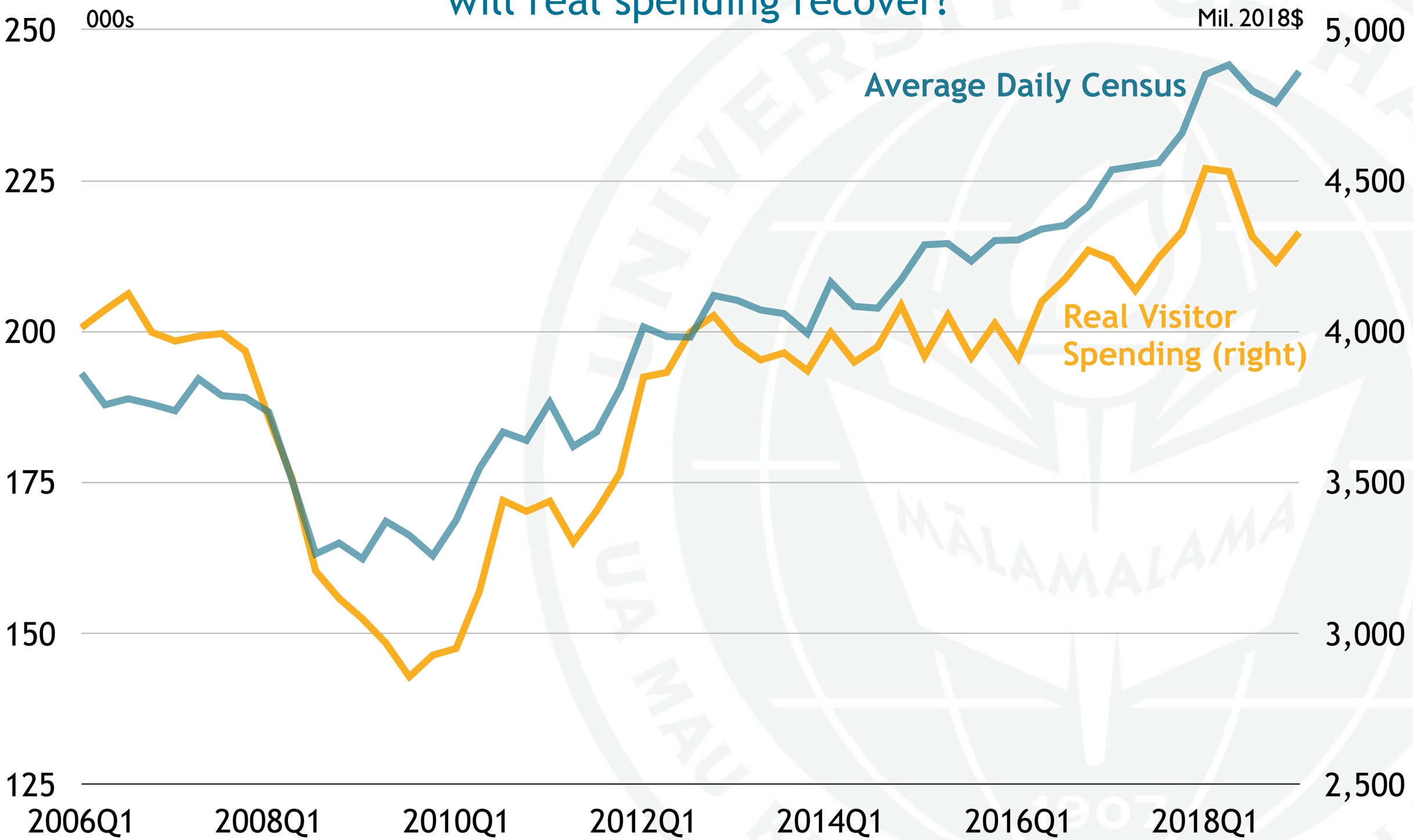
Tourism boom is probably over



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?



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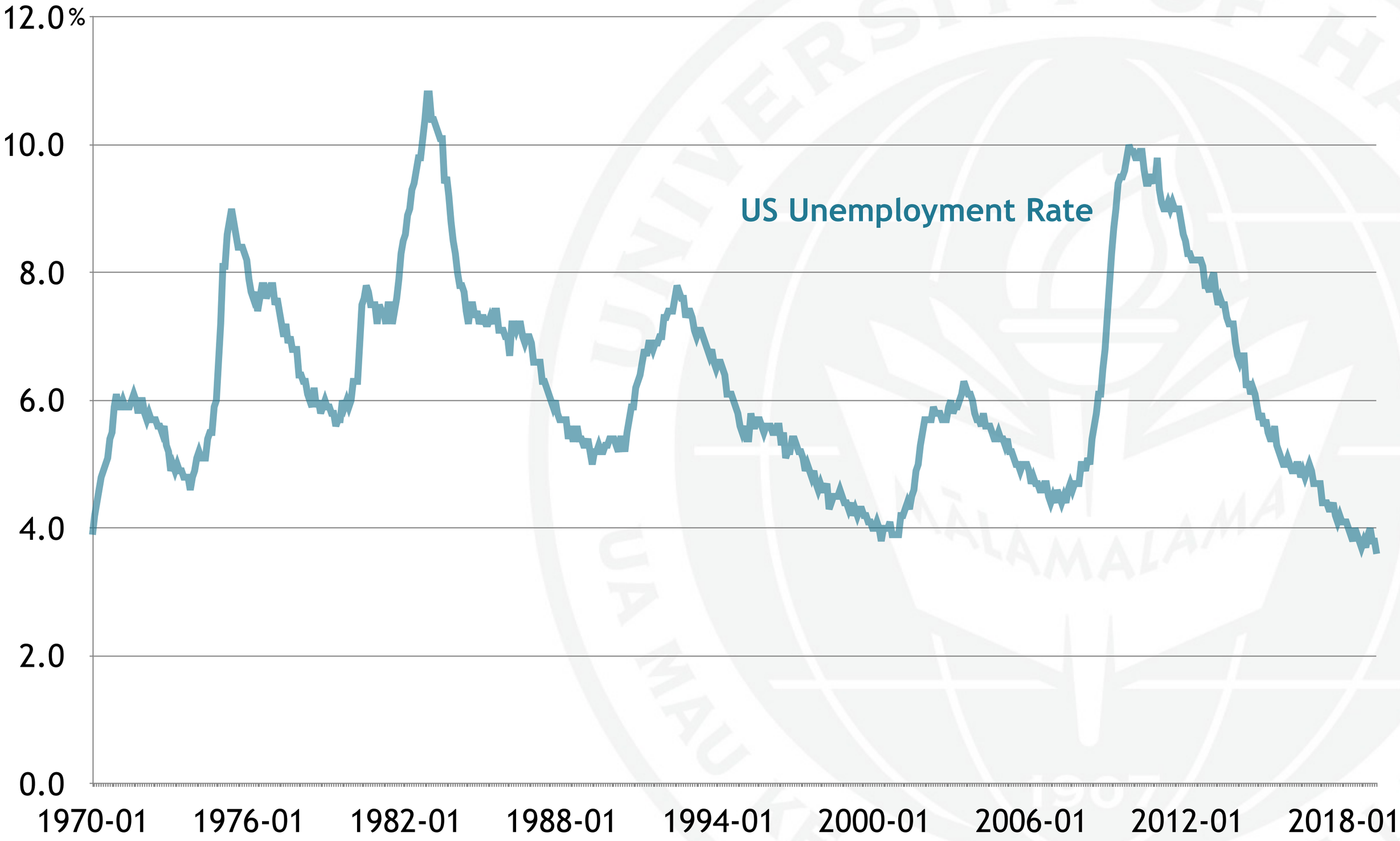
Low unemployment is a sign of a strong national economy

and hasn't been this low since



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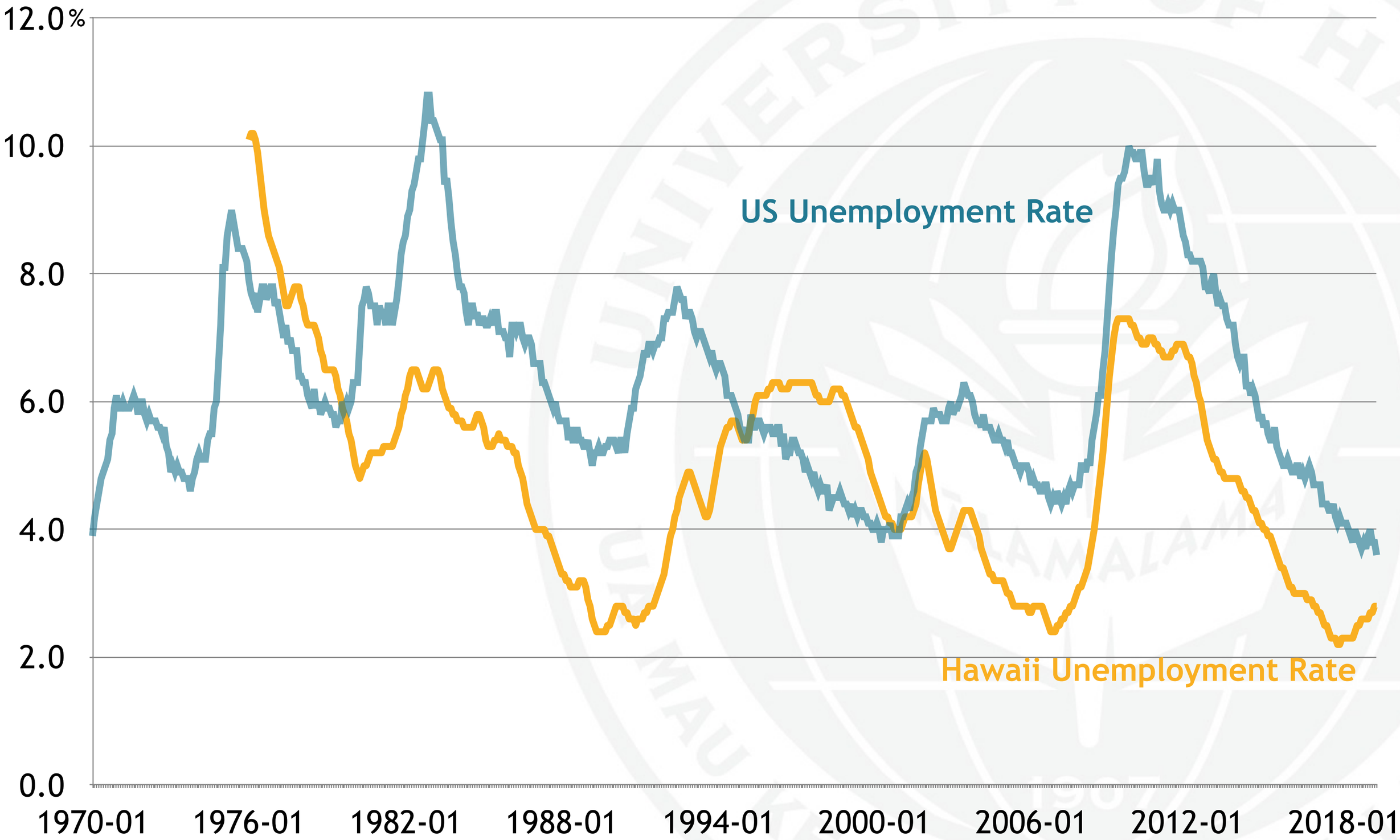

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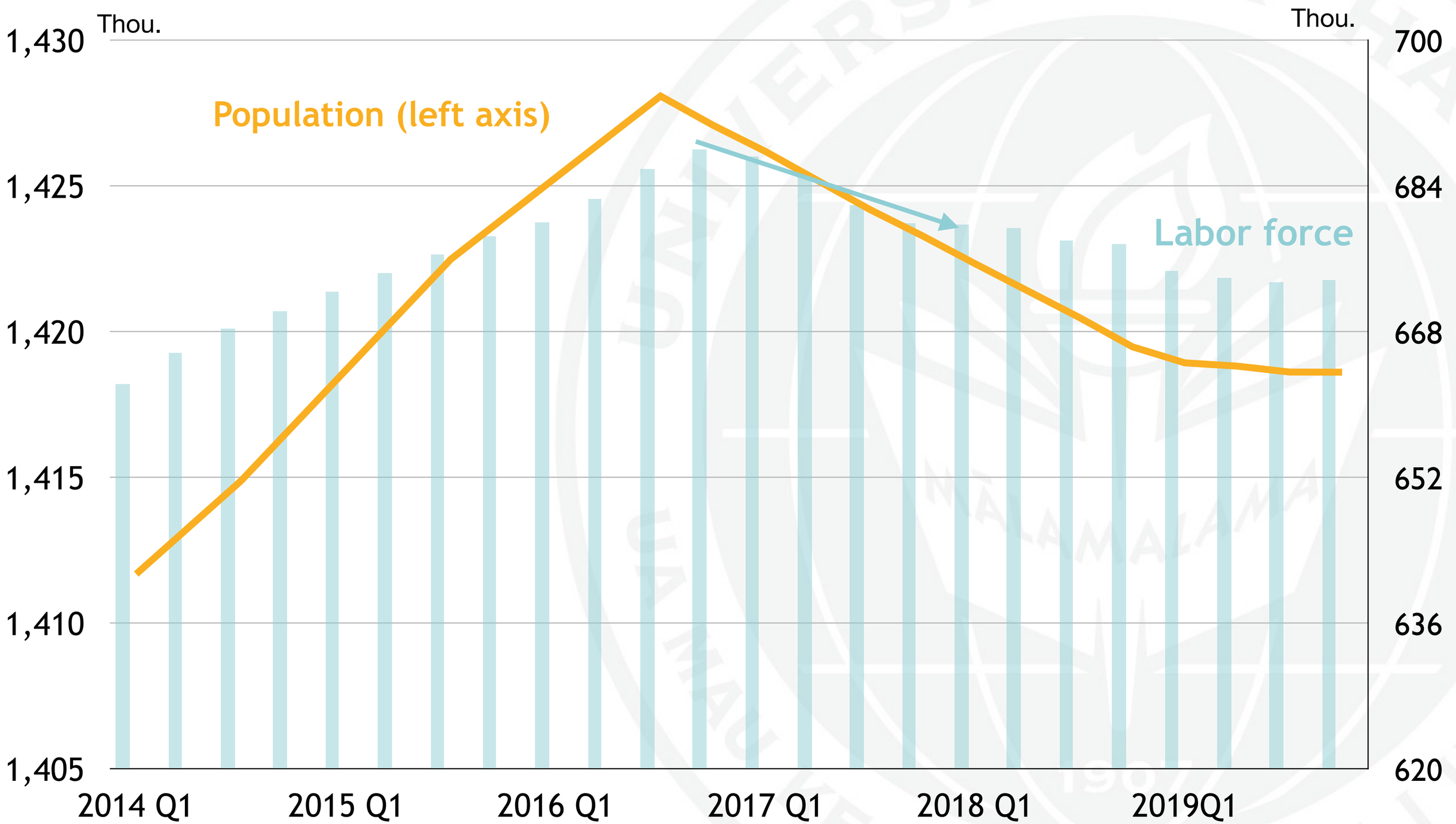
But not in Hawaii

mostly a sign of shrinking workforce



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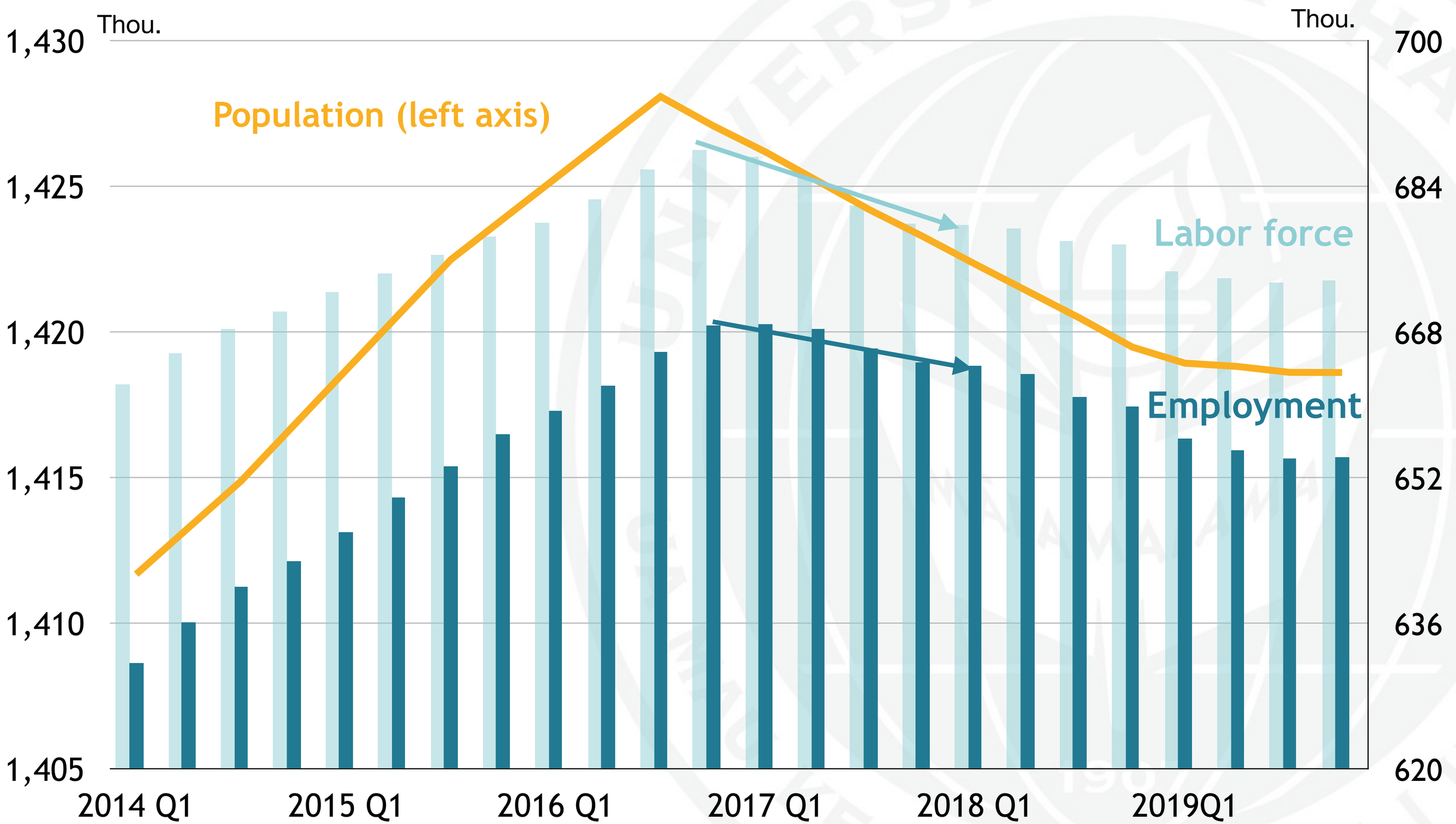
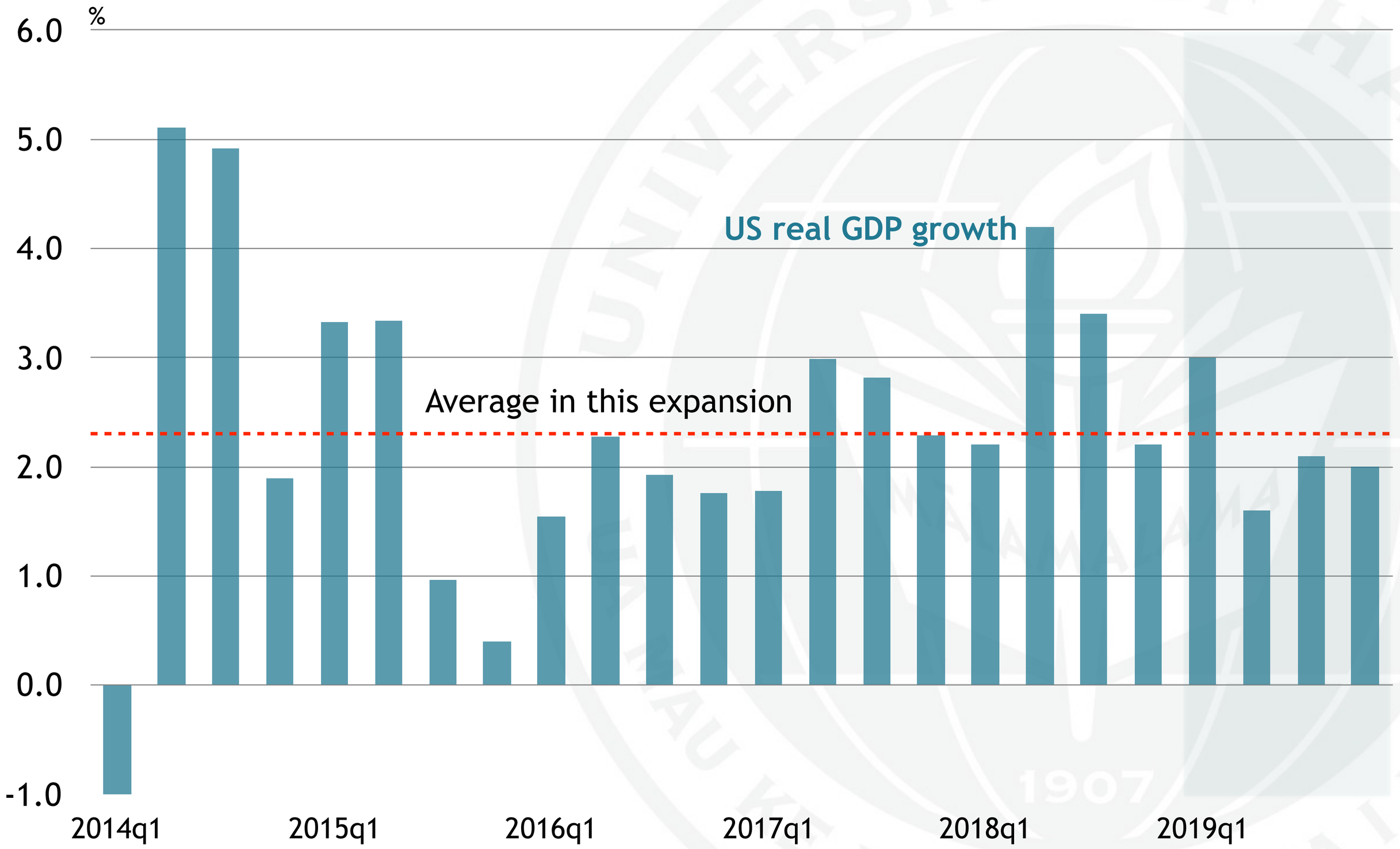


Source: Census, BLS, UHERO. https://tinyurl.com/UHERO-Pop-LF-Empl

US growth underpins Hawaii's ongoing expansion

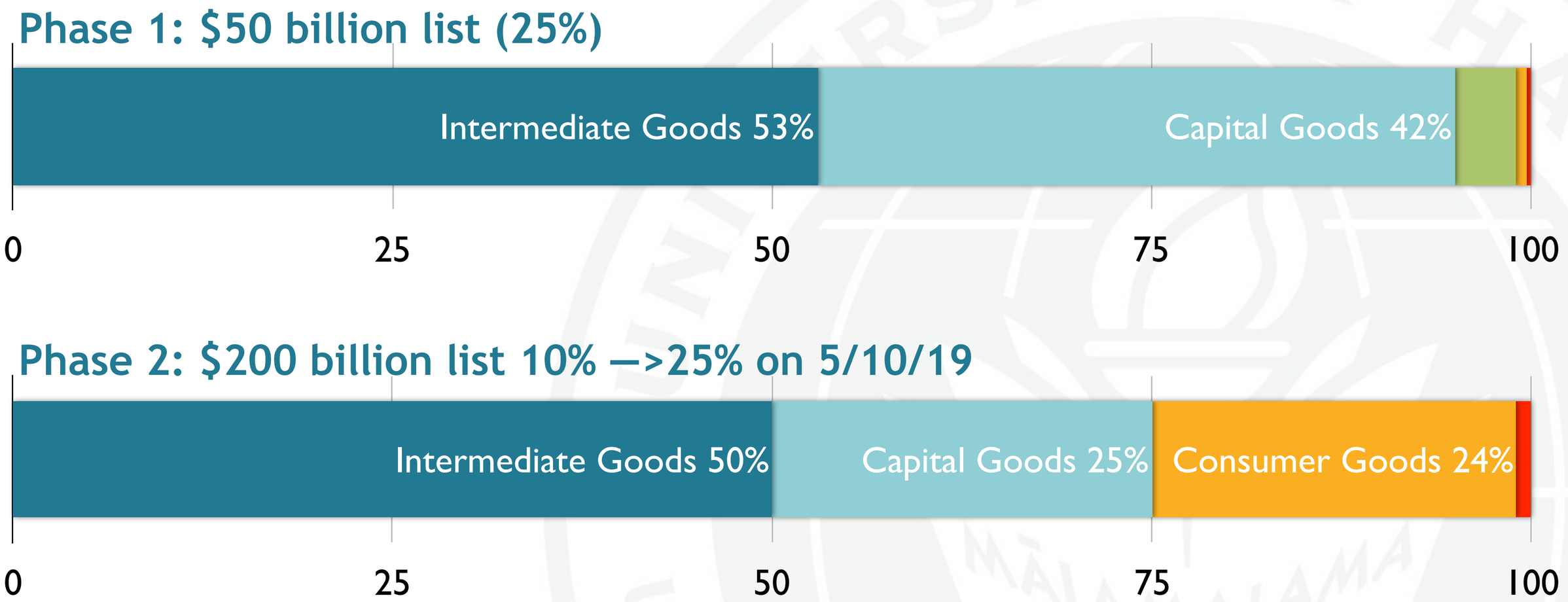
very few signs of recession, for now



Source: BEA, UHERO

But the Trade War is a real threat

Composition of US tariffs on Chinese imports



Source: Peterson Institute for International Economics

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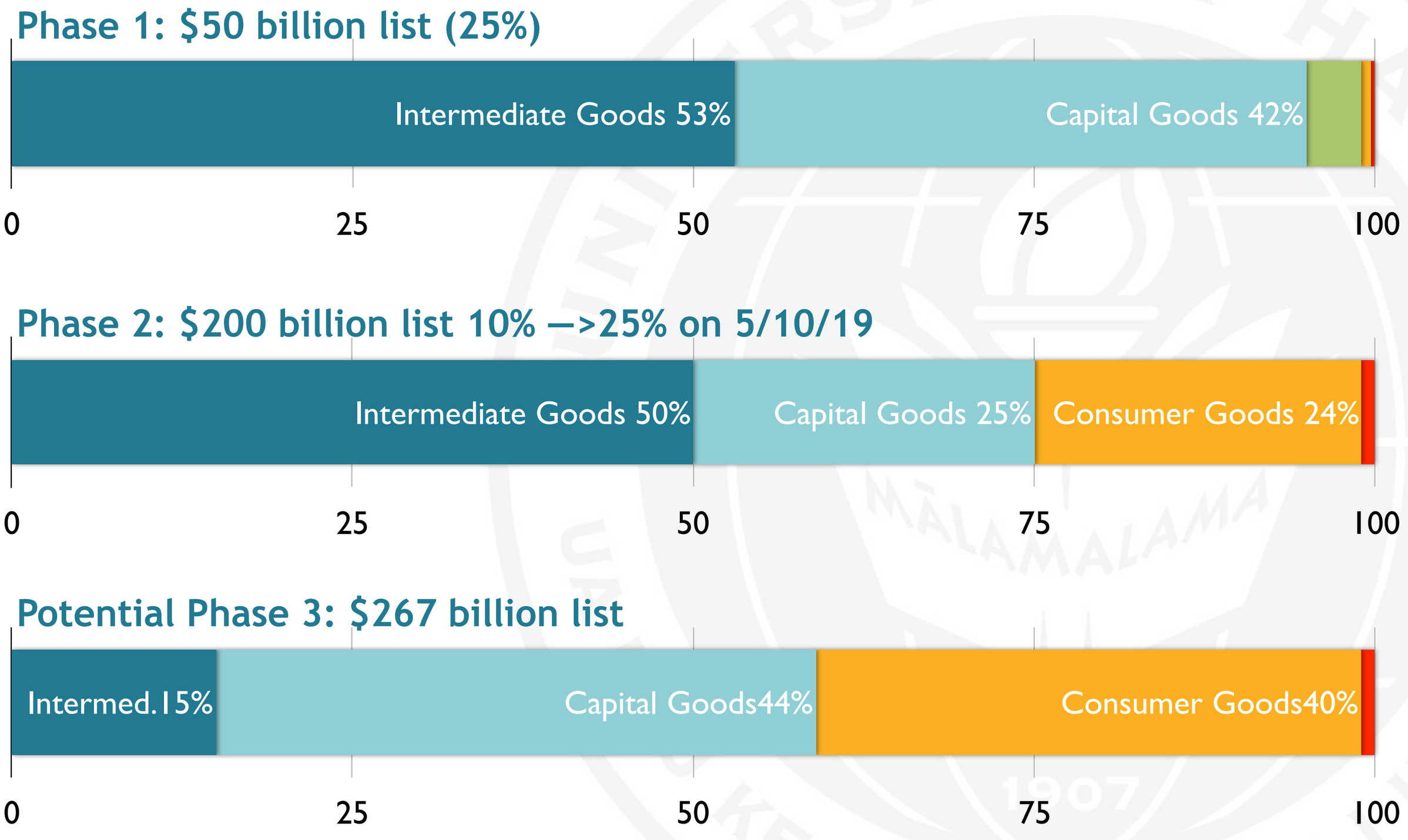
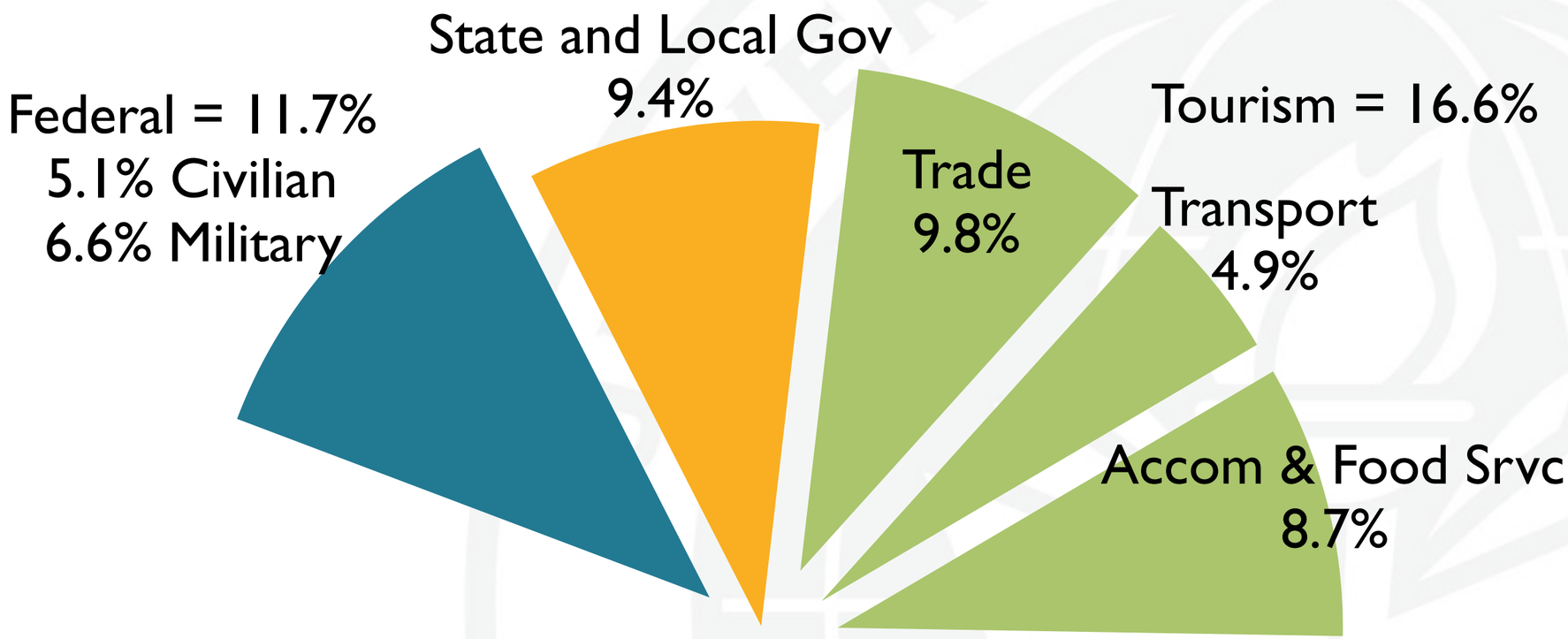


Source: Peterson Institute for International Economics

Which sector will lead?

contributions to Hawaii 2016 GDP



Source: BEA, UHERO, DBEDT

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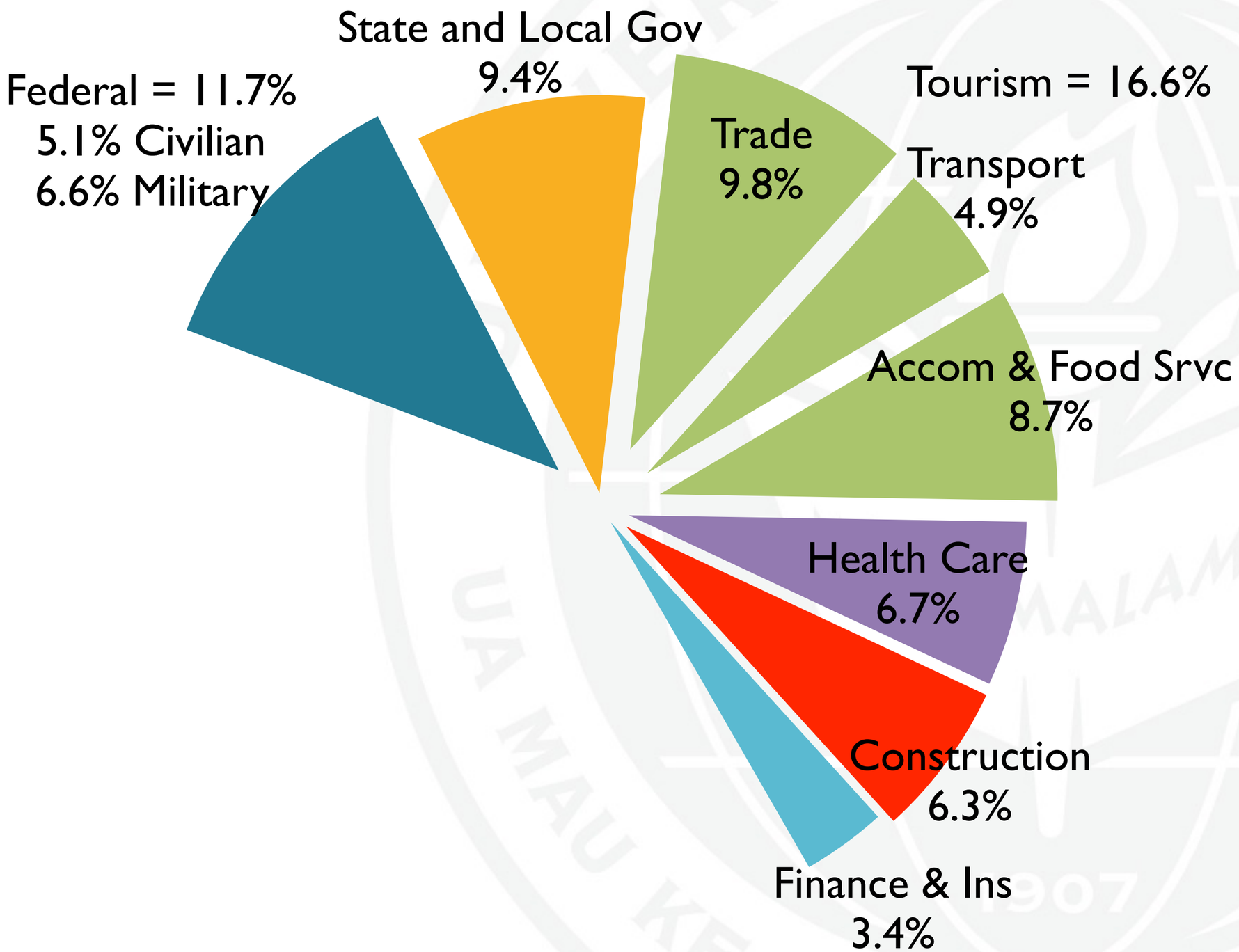

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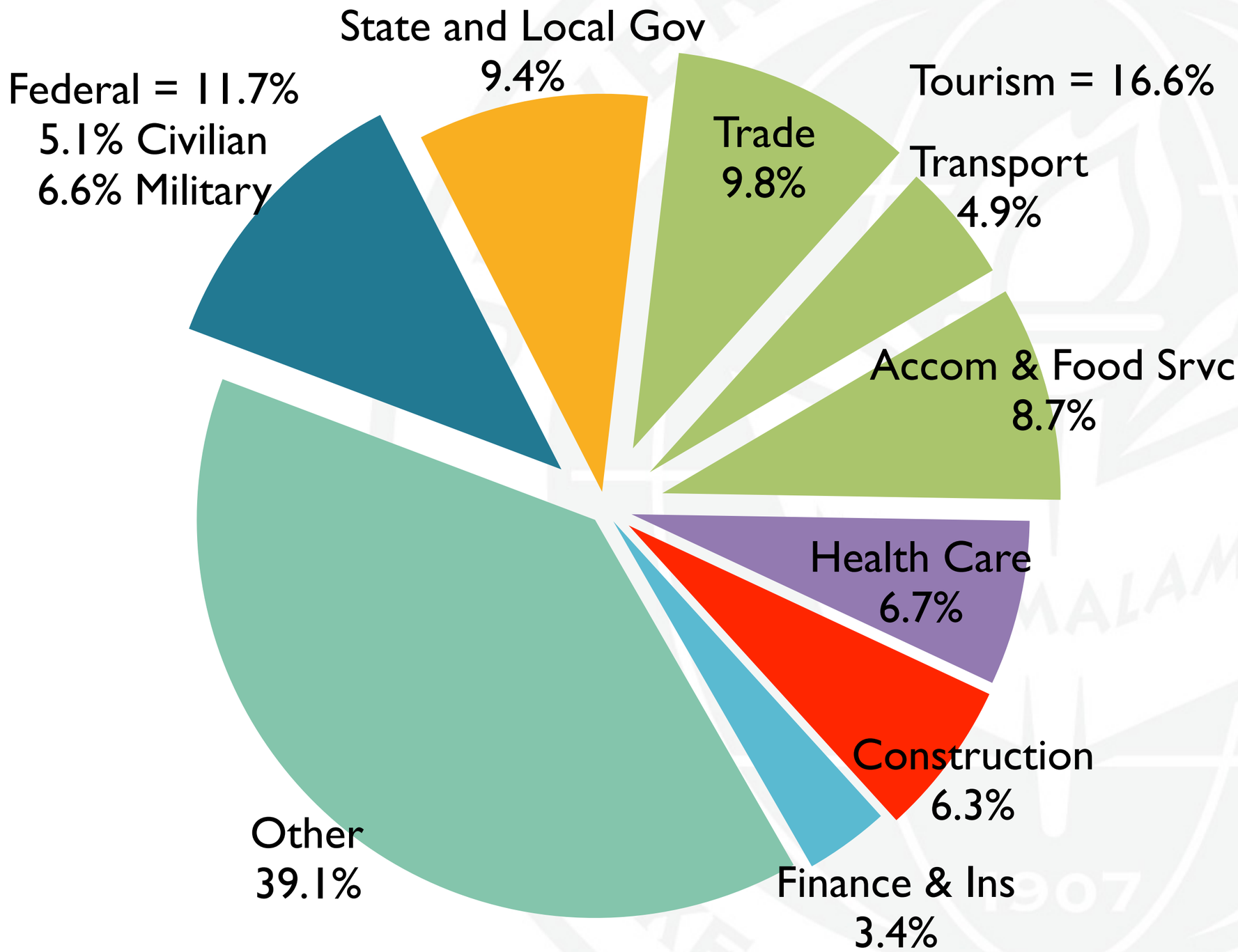

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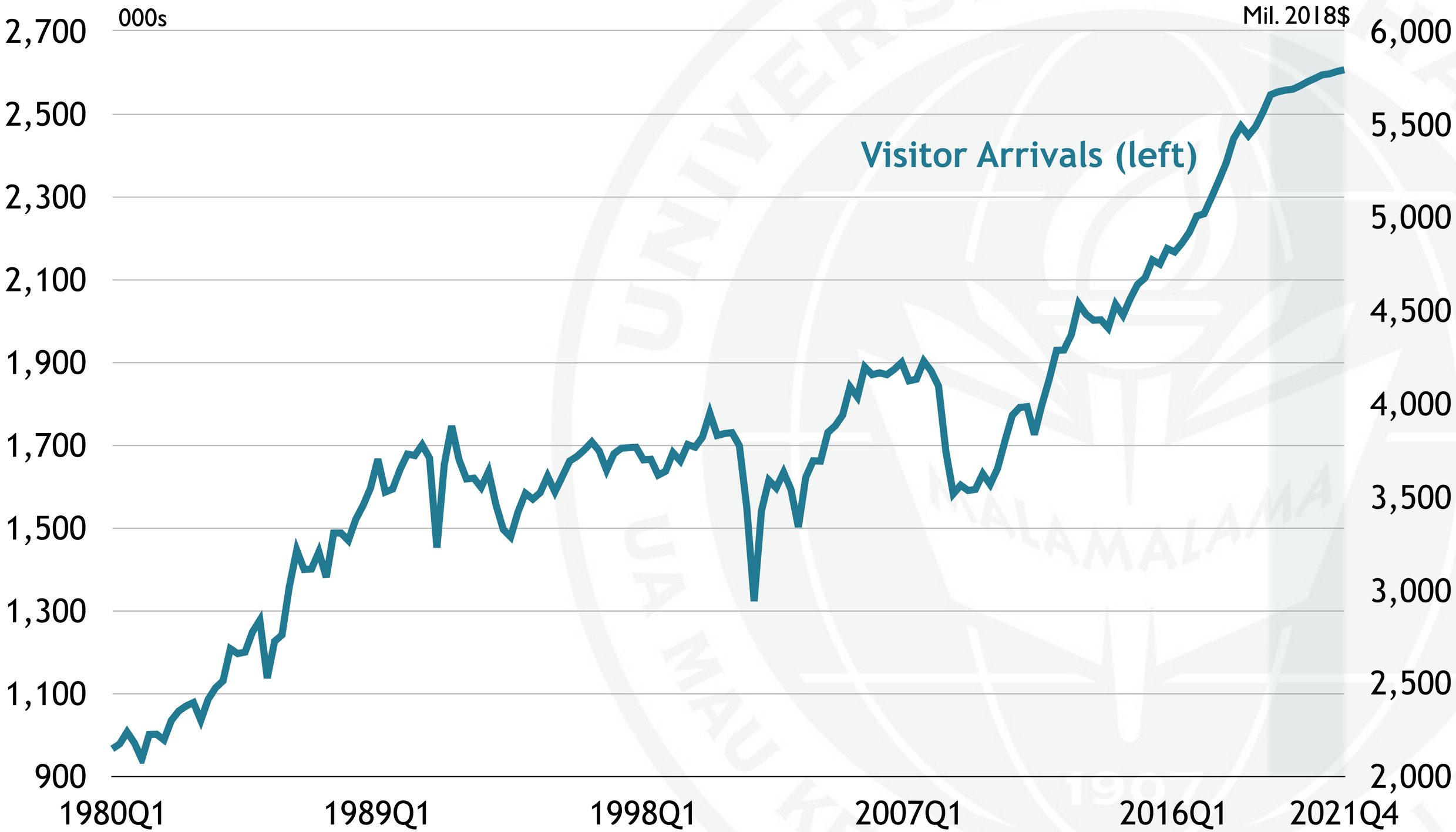
Hospitality and tourism have contributed so far



Source: HTA, BLS, UHERO. Nominal visitor spending deflated using Honolulu CPI.
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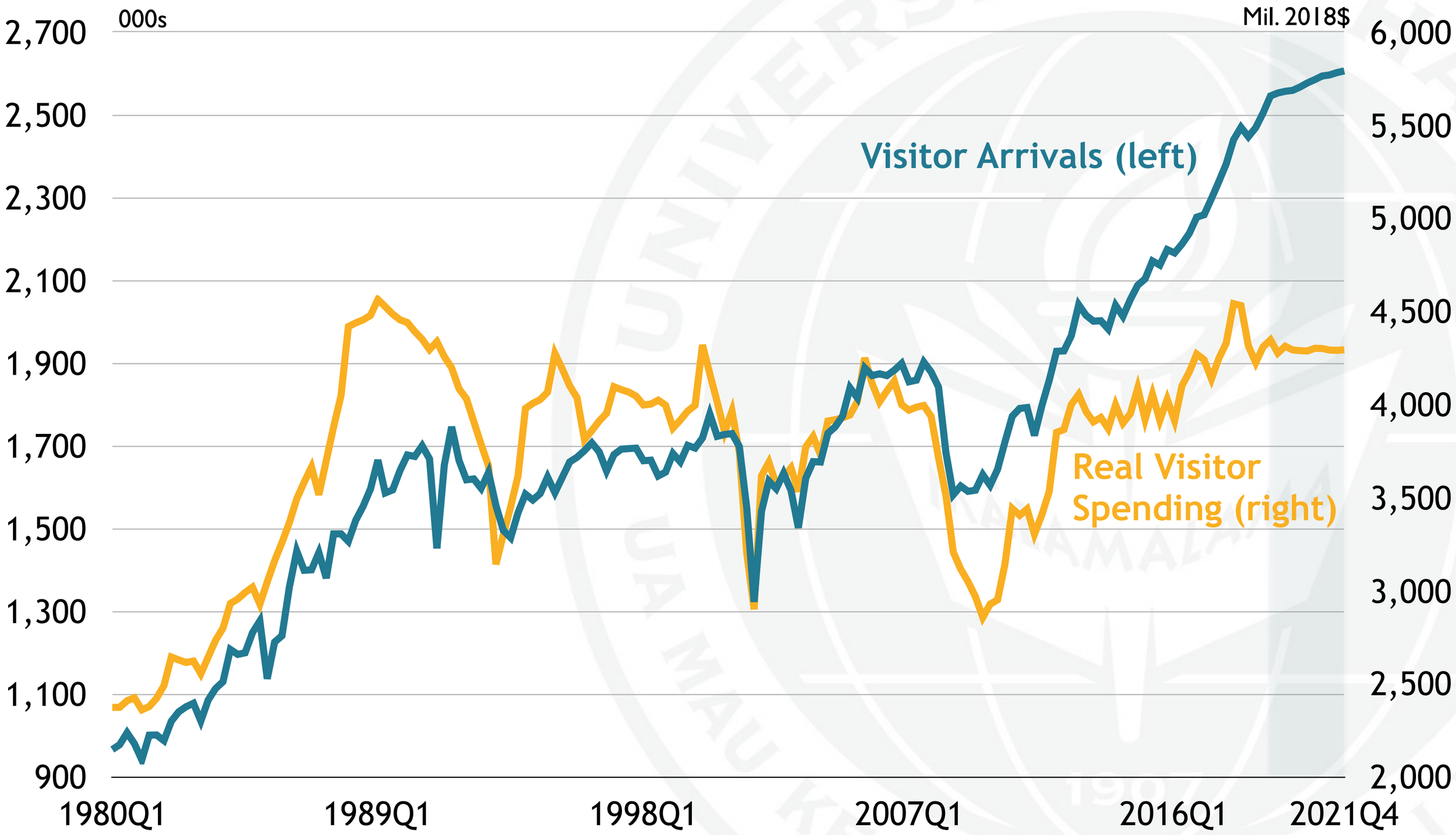
Hospitality and tourism have contributed so far

real spending has likely peaked



Source: HTA, BLS, UHERO. Nominal visitor spending deflated using Honolulu CPI.
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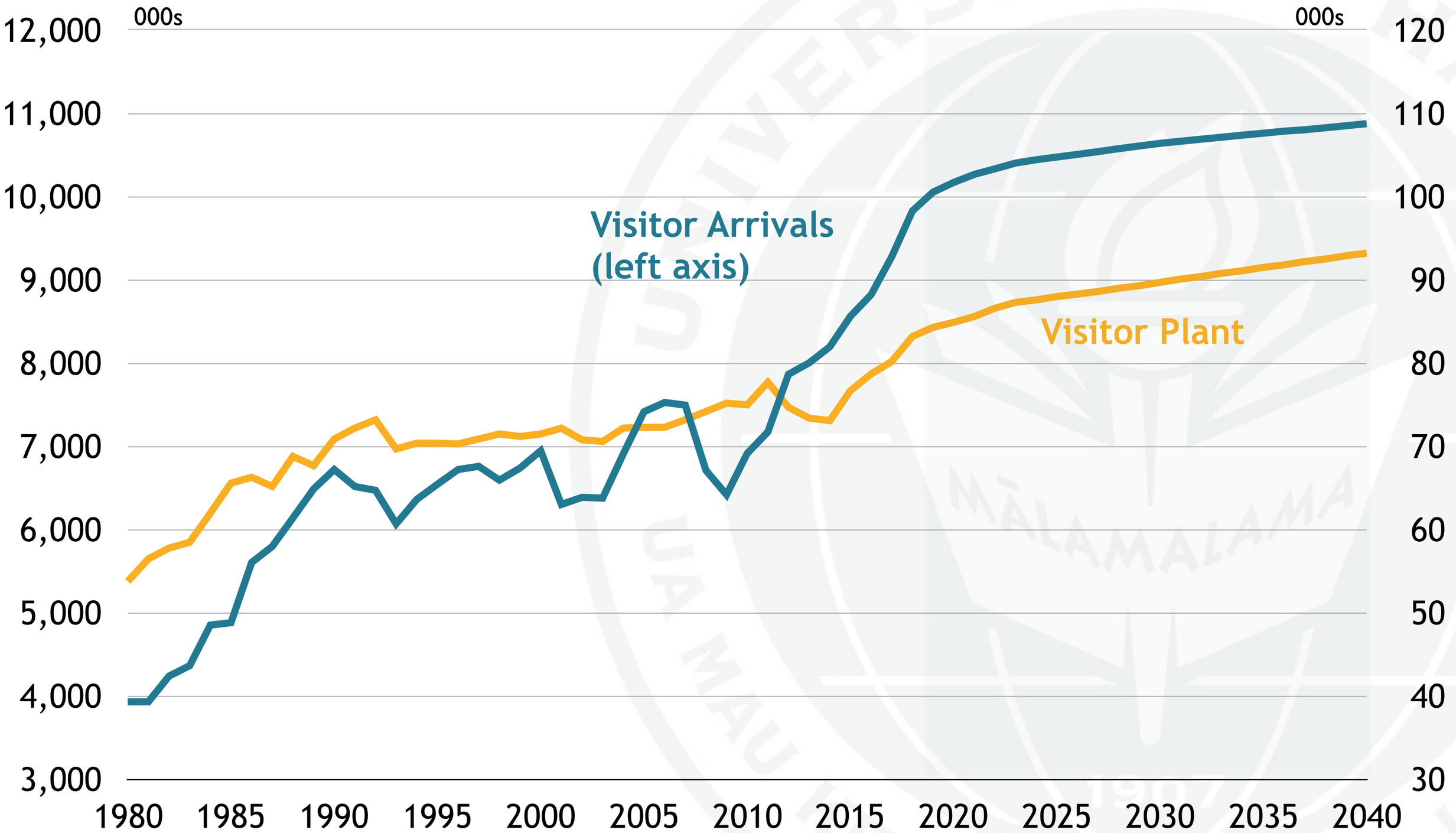
But long run path will be constrained by capacity

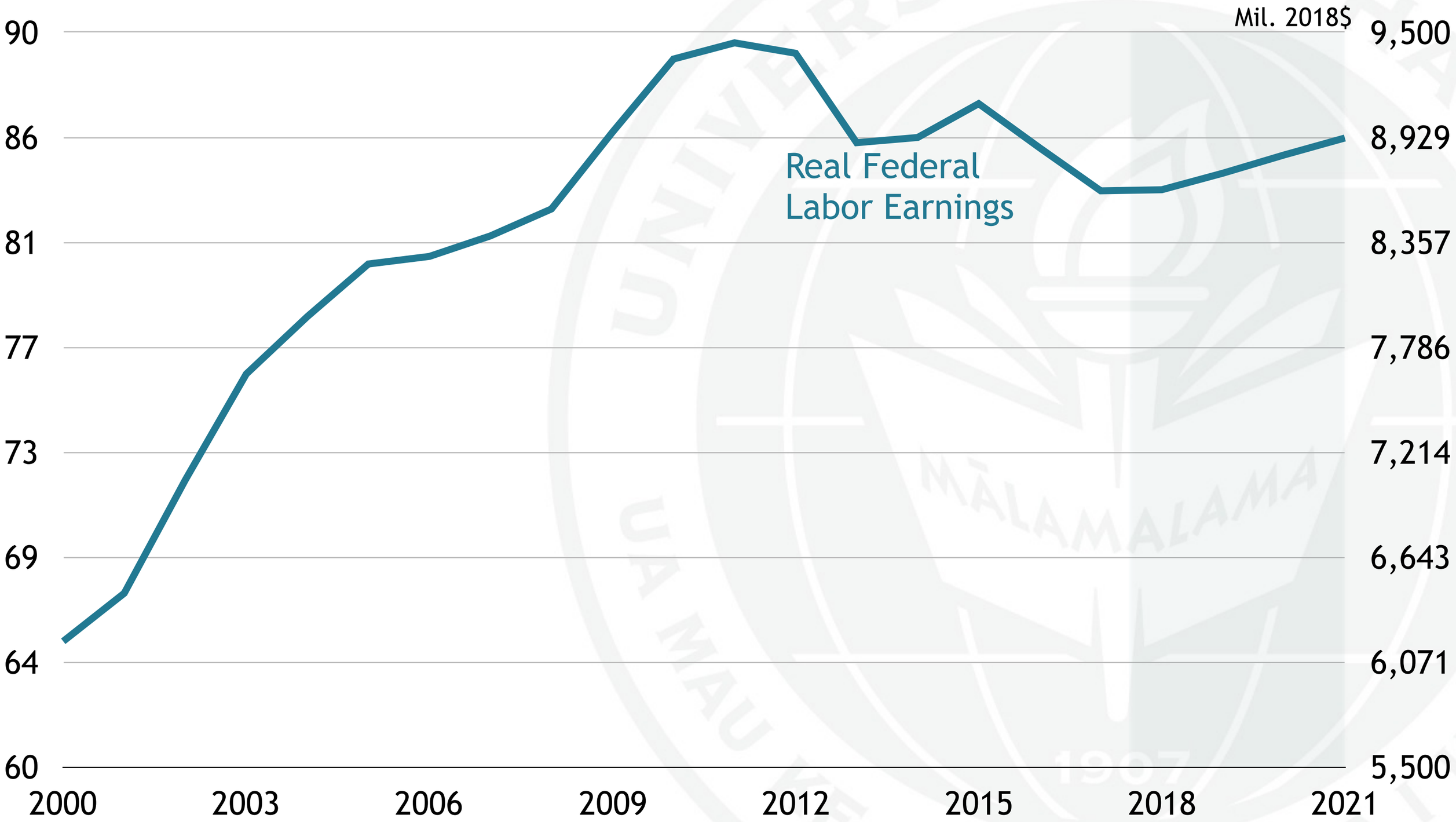
real spending has likely peaked



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.

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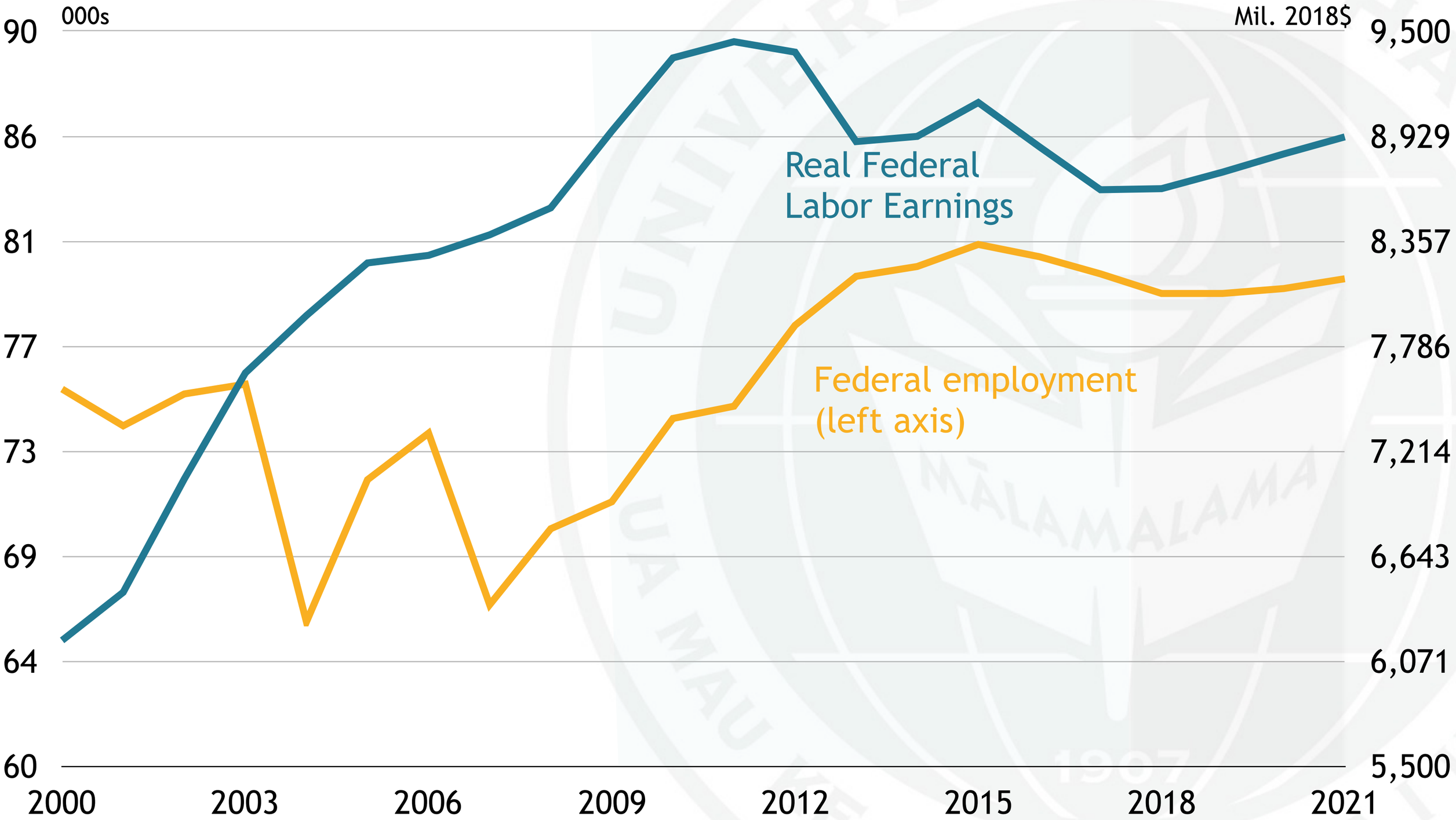
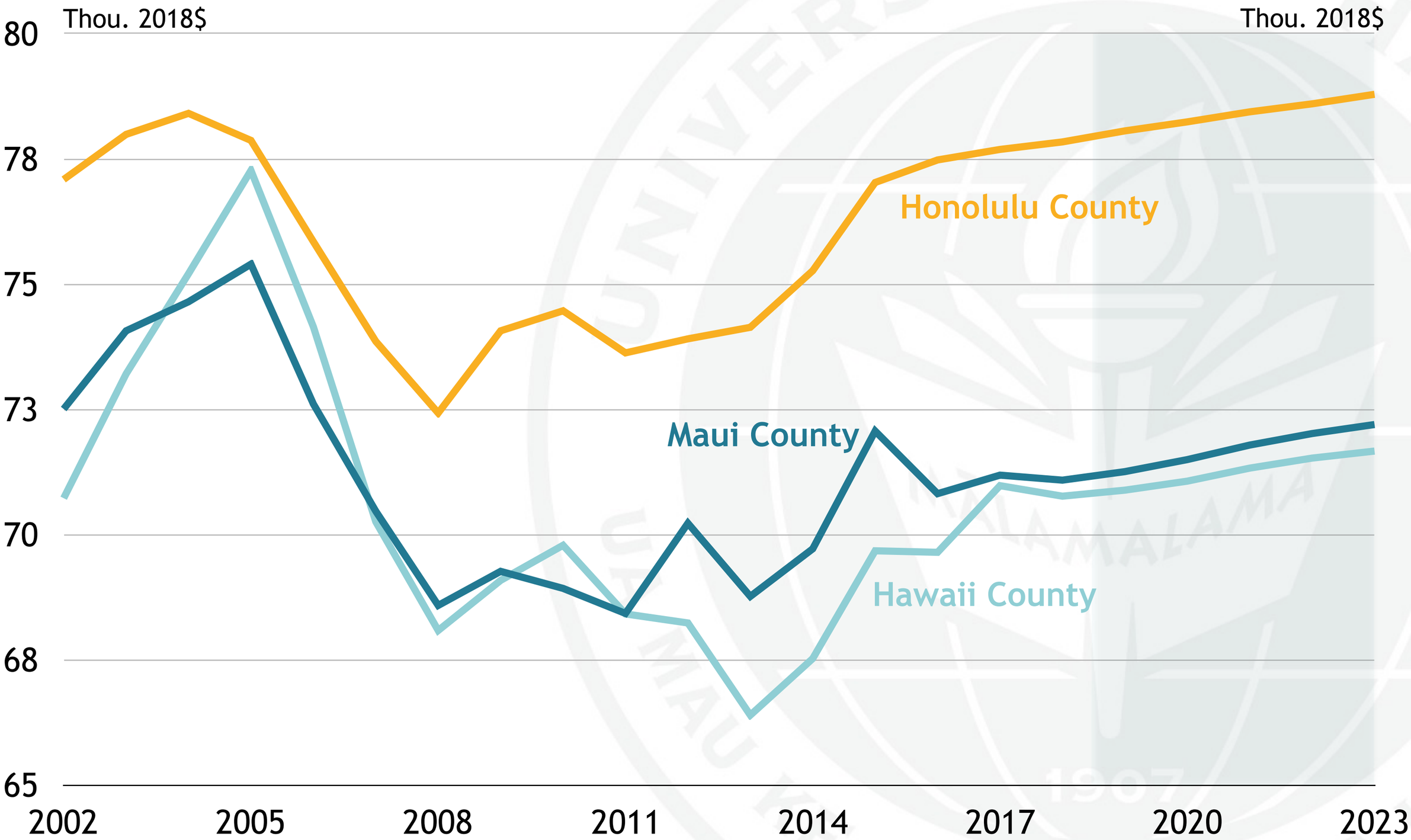


Source: BEA, BLS, UHERO, real series deflated using Honolulu CPI.

As a result, real earnings still below previous peak

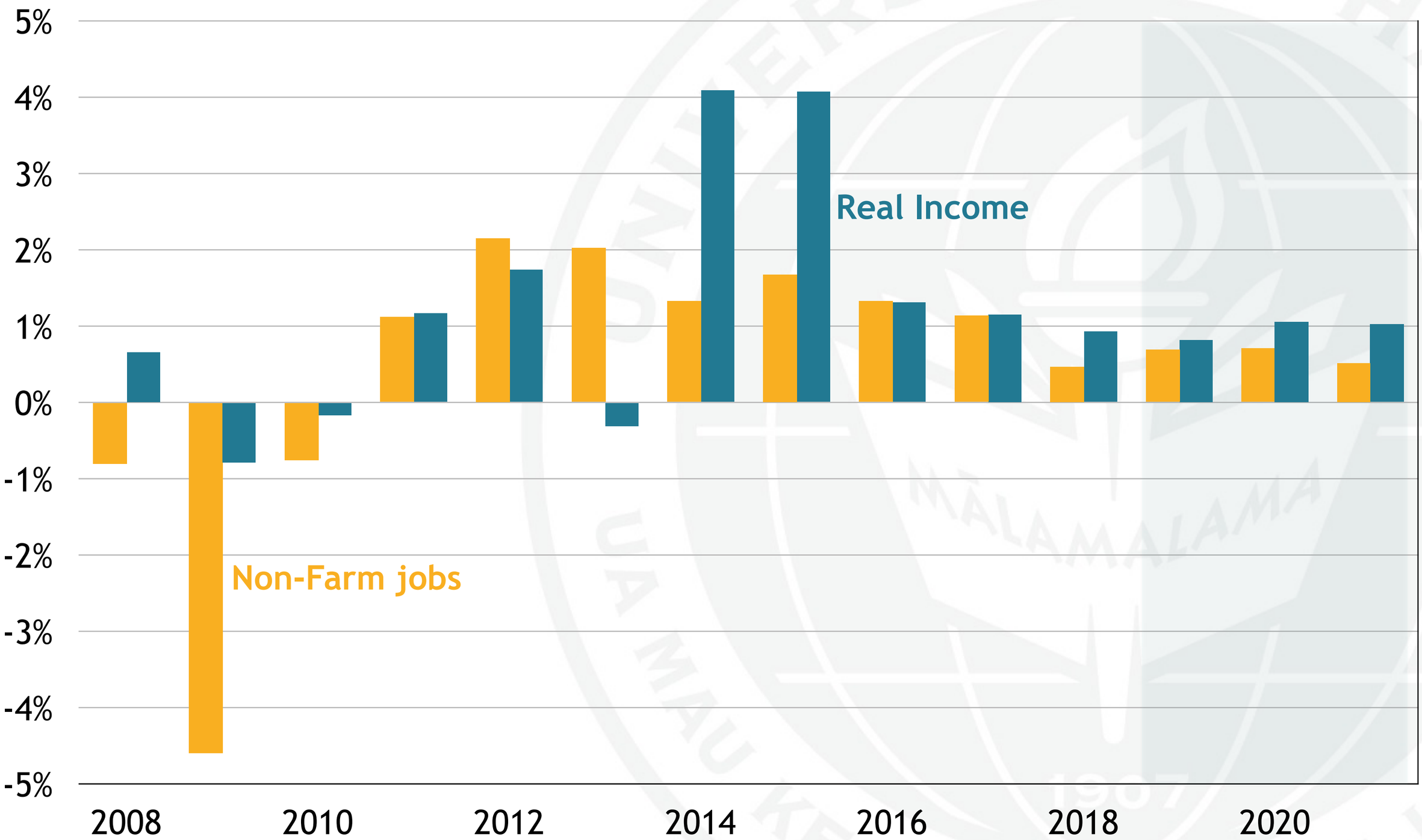
real earnings per non-farm job



Source: BEA, BLS, UHERO, non-military, non-farm earnings are deflated using Honolulu CPI.

Slower growth is still better than the alternative

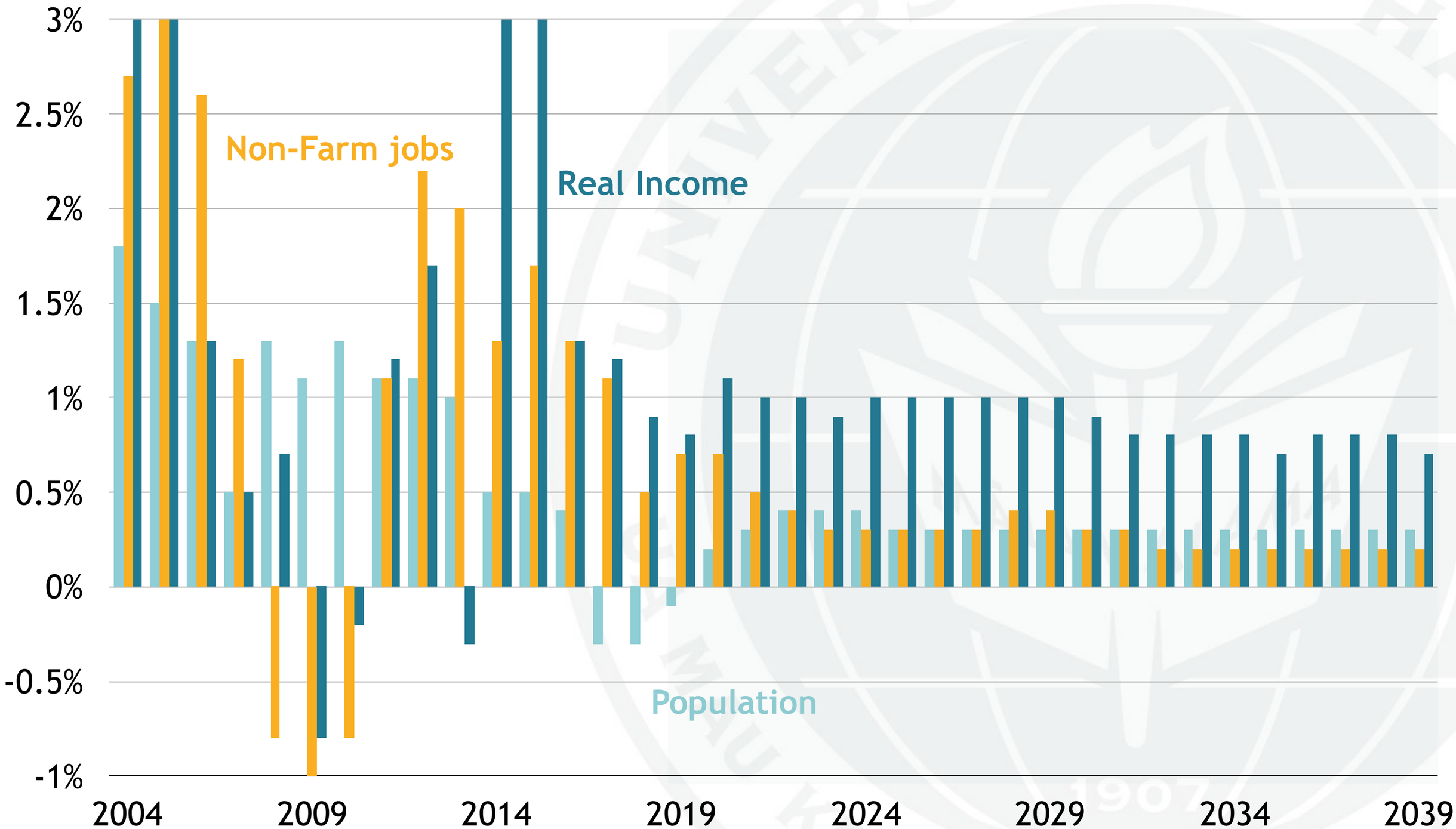
Hawaii jobs and real income forecasts



Source: BLS, BEA, UHERO

But long run forecast is for even slower growth

Hawaii jobs, population, and real income forecasts



Source: BLS, BEA, UHERO

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

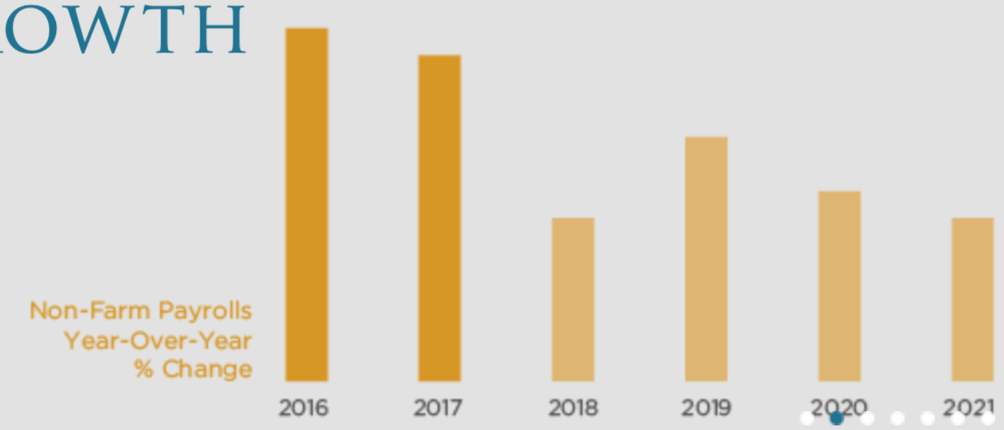
Hawaii forecast update thinking

- 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

UHERO STATE FORECAST UPDATE

Hawaii's Growth Down, But Not Out



PUBLIC SUMMARY

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

MORE NEWS MORE PRODUCTS

WEER

LATEST FORECAST

After Pullback, Construction Prospects Firm

September 28, 2018

Read the Public Summary

MORE UHERO FORECASTS

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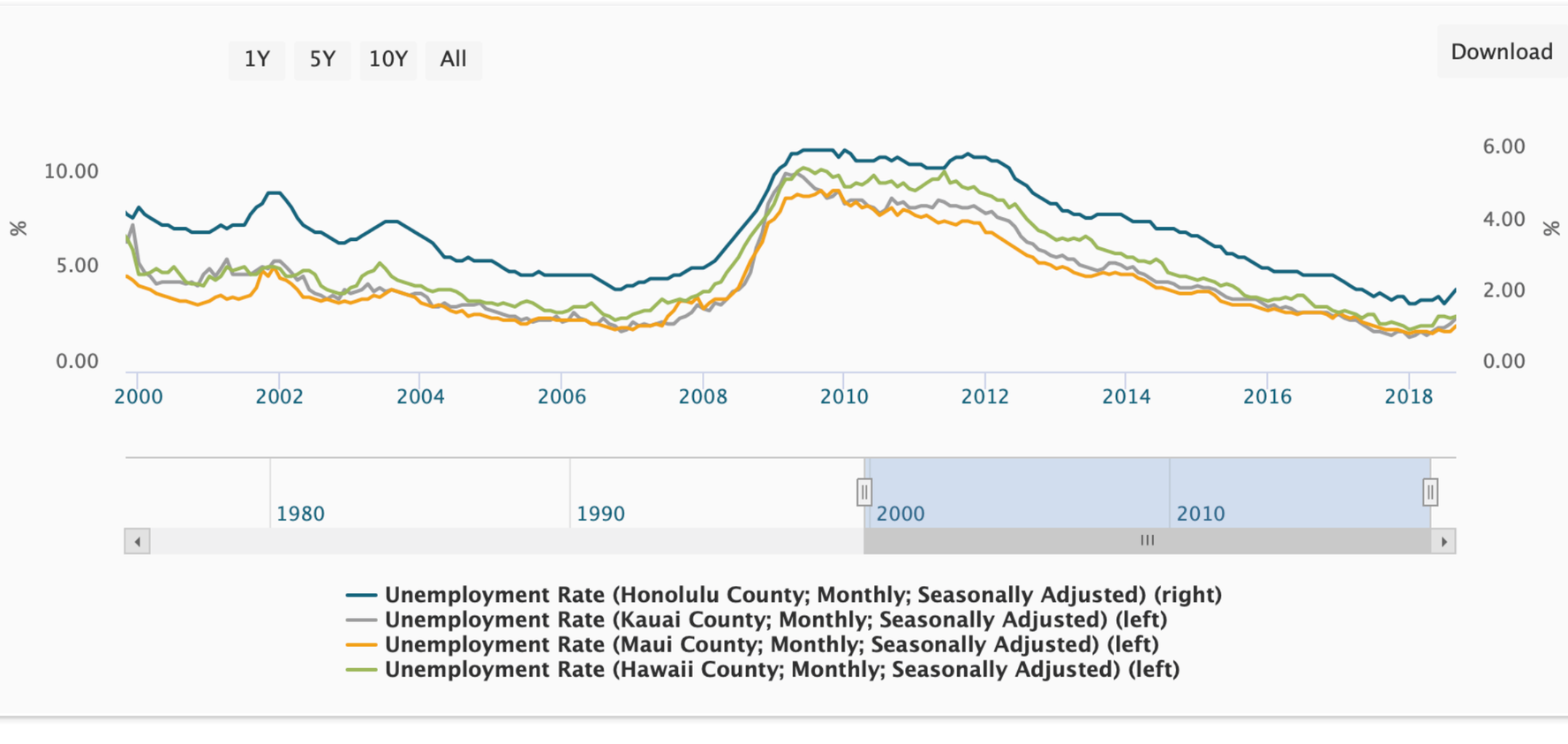
(808) 956-2325 • uhero@hawaii.edu

At a Glance
Employment
Visitor Industry
Income
Construction & Housing
External Indicators
Population
Prices
State Revenue & Expenditure
County Revenue & Expenditures

Analyzer (5)

Analyzer

https://data.uhero.hawai



Tooltip Display: Series Name Units Geography

Year/Year Year-to-Date Download CSV

	2018-05	2018-06	2018-07	2018-08	2018-09
Unemployment Rate (HI; M; Se...	2.0	2.1	2.1	2.1	2.2
Unemployment Rate (HON; M; ...	2.0	2.1	1.9	2.1	2.3
Unemployment Rate (KAU; M; ...	2.1	2.3	2.3	2.5	2.8
Unemployment Rate (MAU; M; ...	2.0	2.2	2.1	2.1	2.4
Unemployment Rate (HAW; M; ...	2.4	2.9	2.9	2.8	2.9

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