HAWAII’S ECONOMY IN NEED OF AN ENGINE

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State of the Economy

January 20, 2015
2014 Retrospective

- Record year for tourism despite recession, currencies, capacity...
- Non-farm jobs surpass previous peak level
- Sequestration’s drag continued.
- Construction cycle proves elusive.

Questions for 2015

- How low can they go—energy, the yen, inflation?
- Does US surge continue?
- Can Hawaii find a growth engine?

Risks:

- Policy, Terrorism, Switzerland!
* Source: HTA, BLS, UHERO. Nominal visitor spending deflated using Honolulu CPI.
Sequestration Drag continued in 2014

Federal spending across expansions—is more bad policy coming?

Average annual growth

-2% 0% 2% 4% 6% 8%


Hawaii federal civilian jobs
Hawaii real federal labor income %Δ

* Source: BLS, BEA, UHERO
forecasting the Hawaii construction cycle

* Source: DBEDT, BLS, UHERO. Forecasts are from UHERO’s construction forecast released in Q1 each year. 2014 estimated to be taken w/grain of Hawaiian salt.
Payroll Jobs finally pass previous peak

Statewide payroll jobs

Non-farm Jobs (left axis)  %Δ (right axis)

* Source: BLS
How low can oil go?

Crude Oil Prices (Ice Brent)

Total cost of foreign petroleum imports at Brent prices

* Source: EIA, DBEDT, UHERO
dollar strength is a drag on exports

* Source: Federal Reserve Bank of St. Louis
Hawaii needs an engine

Contributions to Hawaii 2013 GDP

- State and Local Gov: 9.4%
- Trade: 10.0%
- Accom & Food Srvcs: 8.0%
- Transport: 4.4%
- Health Care: 6.3%
- Construction: 5.5%
- Manufacturing: 1.8%
- Other: 41.5%

Federal = 13%
- 5% Civilian
- 8% Military

Tourism = 16.7%

Source: DBEDT, contributions due to Tourism and Innovation sectors have been removed from other sectors
Balanced growth trumps engines

estimate and forecasted change in Hawaii payroll jobs

Source: DLIR

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Hawaii job and income forecasts

- Non-Farm jobs
- Real Income

Balanced Expansion is fragile

* Source: UHERO

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HAWAII INCOME DISTRIBUTION MAP [BETA]
COMPARING HOUSHold INCOMES

HONOLULU COUNTY

STATE OF HAWAII

CENSUS TRACT INCOME DISTRIBUTIONS
Mahalo