



UHERO
THE ECONOMIC RESEARCH ORGANIZATION
AT THE UNIVERSITY OF HAWAII

UHERO FORECAST PROJECT

COUNTY FORECAST:
PUBLIC SUMMARY

ECONOMIES STILL GROWING, BUT SLOWING

MAY 19, 2017





UHERO

THE ECONOMIC RESEARCH ORGANIZATION
AT THE UNIVERSITY OF HAWAII

UHERO COUNTY FORECAST

©2017 University of Hawaii Economic Research Organization.
All rights reserved.

CARL S. BONHAM, PH.D.
Executive Director

BYRON GANGNES, PH.D.
Senior Research Fellow

PETER FULEKY, PH.D.
Economist

ASHLEY HIRASHIMA
Graduate Research Assistant

JAMES JONES
Graduate Research Assistant

RESEARCH ASSISTANCE BY:
Adele Balderston
Natalie Schack

EXECUTIVE SUMMARY

Prospects are good for continued growth in each of Hawaii's four counties, if at a slower pace than in recent years. The tourism expansion has staying power, but capacity constraints will necessarily limit future gains. Construction is approaching or settling at the peak for this cycle, and tight labor markets will mean a deceleration of growth across other sectors. The counties share common risks, primarily from the continuing policy uncertainties emanating from Washington, DC.

- Tourism continues to climb to new heights in all counties, and there will be further incremental gains. US consumer confidence will support domestic travel, which will particularly benefit the Neighbor Islands. The outlook for international markets, particularly important for Oahu, is more mixed. The number of these visitors is expected to rise, but spending will be restrained by still-weak currencies. Despite some growth in the room stock, occupancy rates will remain high, and tight conditions will support higher room rates.
- Construction is now at or near its cyclical peak in all counties. Home building on the Neighbor Islands is falling well short of the 2000s bubble period, and even on Oahu it is well below levels that will be needed to meet projected household formation. As a result, concerns persist about housing shortages and affordability. As the pace of local income growth slows and interest rates rise, activity in the sector will ease back slowly.
- Labor markets have been restored to health, and with unemployment now at low levels job growth will be more limited going forward. The adverse effects of the recession on personal income have been slow to ease, particularly on the Neighbor Islands, but there have been widespread gains over the past several years. Household purchasing power will rise more slowly now that the economy is decelerating and inflation is picking up.
- The counties face common uncertainties, both for specific industries and more broadly. Health care will surely be affected by whatever changes are eventually made to the Affordable Care Act. The level of total federal spending and its composition are uncertain. Fiscal pressure at the state and county levels will be a challenge, and changes to travel regulations could adversely impact tourism. The extent to which individual counties are affected by such developments will depend in part on their industrial structure and visitor market specialization. For Oahu, rail remains a big question mark.

COUNTY MAJOR ECONOMIC INDICATORS
YEAR-OVER-YEAR % CHANGE

	2014	2015	2016	2017	2018	2019
HONOLULU						
Visitor Arrivals	2.9	2.8	2.3	1.2	0.4	1.0
U.S. Visitor Arrivals	1.4	4.8	2.3	1.4	0.8	0.9
Japan Visitor Arrivals	0.8	-2.2	0.4	1.7	-1.0	1.1
Other Visitor Arrivals	9.1	4.8	4.4	0.4	0.8	1.1
Payroll Jobs	1.2	1.7	1.3	0.9	0.6	0.5
Real Personal Income	3.4	3.5	2.2	1.4	1.2	1.2
HAWAII						
Visitor Arrivals	1.4	4.1	2.3	2.8	1.6	1.2
U.S. Visitor Arrivals	1.5	7.4	3.0	2.7	1.5	0.8
Japan Visitor Arrivals	-14.4	-17.5	1.5	6.8	1.7	2.6
Other Visitor Arrivals	11.8	5.8	0.5	1.6	2.0	2.0
Payroll Jobs	1.4	2.3	1.8	1.1	1.3	0.8
Real Personal Income	4.4	4.1	3.3	2.7	2.4	1.9
MAUI						
Visitor Arrivals	2.3	5.0	4.1	2.2	1.3	0.7
U.S. Visitor Arrivals	2.2	7.0	5.4	2.8	1.1	0.5
Japan Visitor Arrivals	-24.8	0.4	-9.7	-1.8	-1.9	-0.1
Other Visitor Arrivals	6.7	-0.7	1.2	0.8	2.4	1.6
Payroll Jobs	2.2	2.6	1.7	1.3	0.9	0.9
Real Personal Income	4.3	5.0	3.2	2.0	1.8	1.7
KAUAI						
Visitor Arrivals	0.5	4.8	1.2	2.1	2.2	1.8
U.S. Visitor Arrivals	-0.6	4.8	2.7	2.4	2.3	1.7
Japan Visitor Arrivals	-19.0	7.8	-11.0	3.8	3.1	3.7
Other Visitor Arrivals	9.6	4.2	-4.6	0.9	1.8	1.8
Payroll Jobs	1.6	1.6	1.1	1.0	1.2	0.8
Real Personal Income	4.9	3.9	2.9	2.4	2.2	1.7

Figures for 2016 county income are UHERO estimates. Figures for 2017 - 2019 are forecasts.

[THIS PAGE INTENTIONALLY LEFT BLANK]

UHERO

THE ECONOMIC RESEARCH ORGANIZATION
AT THE UNIVERSITY OF HAWAII

UHERO THANKS THE FOLLOWING SPONSORS:

KAWEKIU - THE TOPMOST SUMMIT

Hawaii Business Roundtable

KILOHANA - A LOOKOUT, HIGH POINT

American Savings Bank

First Hawaiian Bank

Hawaiian Airlines

Hawaii Electric Light Company, Ltd.

Hawaiian Electric Company, Inc.

Matson Company

Maui Electric Company, Ltd.

The Nature Conservancy

KUAHIWI - A HIGH HILL, MOUNTAIN

Bank of Hawaii

Better Homes and Gardens Real Estate Advantage Realty

Central Pacific Bank

First Insurance Company of Hawaii, Ltd.

Hauoli Mau Loa Foundation

HGEA

The Howard Hughes Corporation

Kaiser Permanente Hawaii

Kamehameha Schools

Natural Energy Laboratory of Hawaii Authority

The Pacific Resource Partnership

Servco Pacific, Inc.

Stanford Carr Development

Young Brothers, Limited

Kulia I Ka Nuu (literally “Strive for the summit”) is the value of achievement, those who pursue personal excellence. This was the motto of Hawaii’s Queen Kapiolani. Sponsors help UHERO to continually reach for excellence as the premier organization dedicated to economic research relevant to Hawaii and the Asia-Pacific region.

The UHERO Forecast Project is a community-sponsored research program of the University of Hawaii at Manoa. The Forecast Project provides the Hawaii community with analysis on economic, demographic, and business trends in the State and the Asia-Pacific region.

All sponsors receive the full schedule of UHERO reports, as well as other benefits that vary with the level of financial commitment.

For sponsorship information, browse to <http://www.uhero.hawaii.edu>.