

**U H E R O**

Celebrating Ten Years of Service to Hawaii

# Outlook for the US and Japan

50th Anniversary of Statehood Conference  
August 21, 2009

Dr. Byron Gangnes



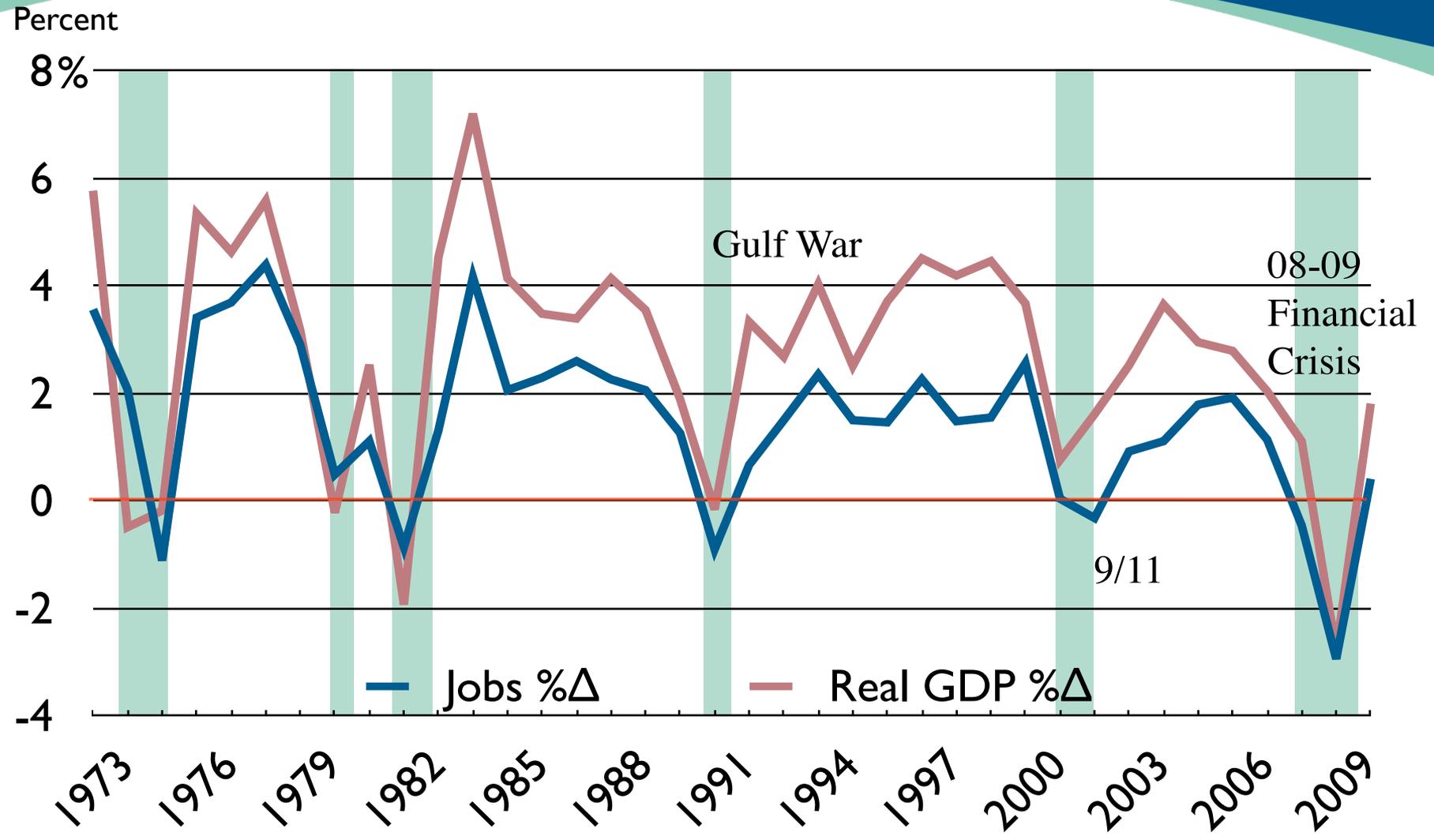
**University of  
Hawai'i  
E conomic  
R esearch  
O rganization**

© UHERO 2009

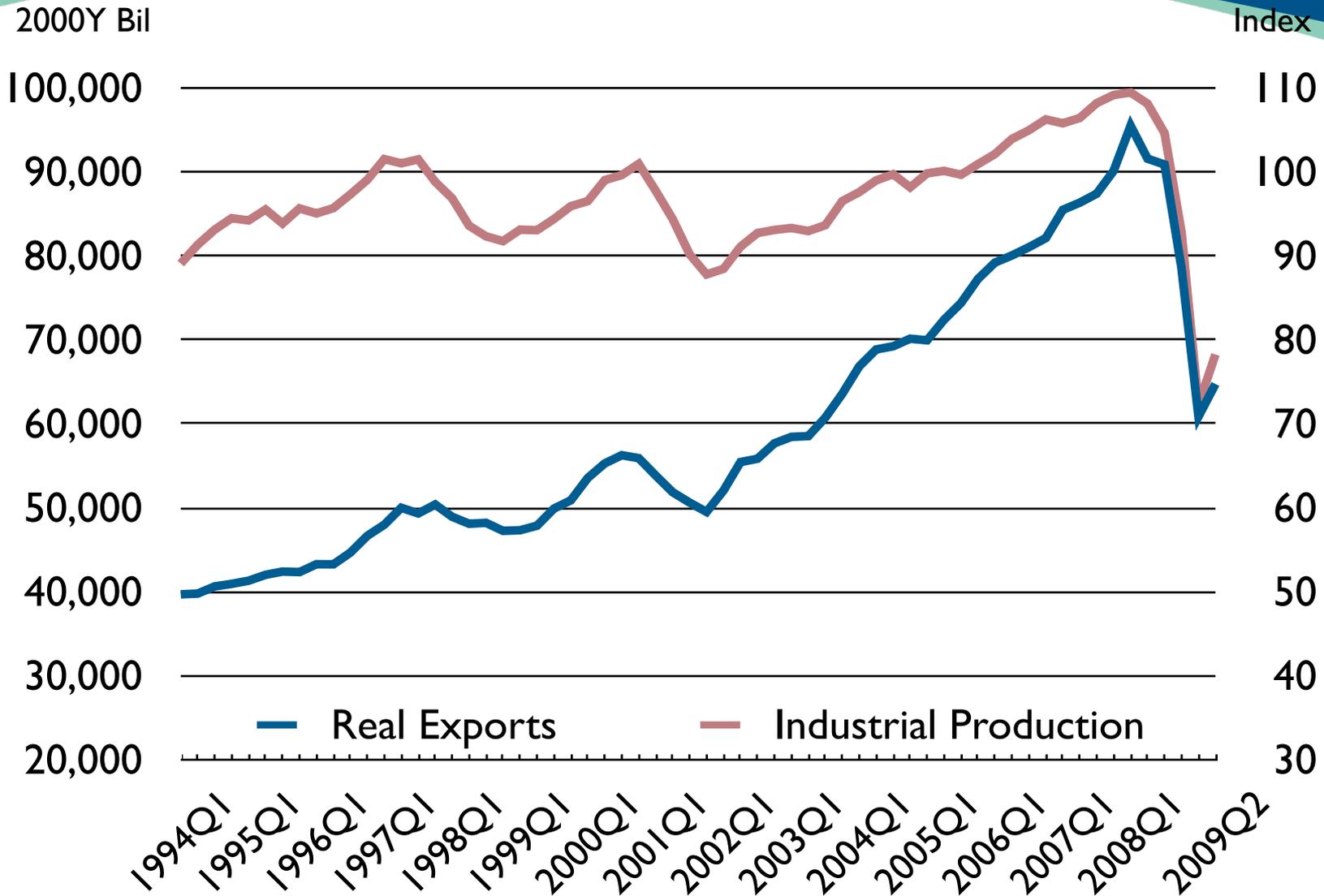
# Overview

- State of the global business cycle
  - Is recovery underway?
- Near and medium-term growth prospects
  - What kind of economic performance should we expect?
- What does this mean for Hawaii?
  - A quick look at UHERO near-term Hawaii forecast

# Most severe US recession in decades



# Japan clobbered by exports

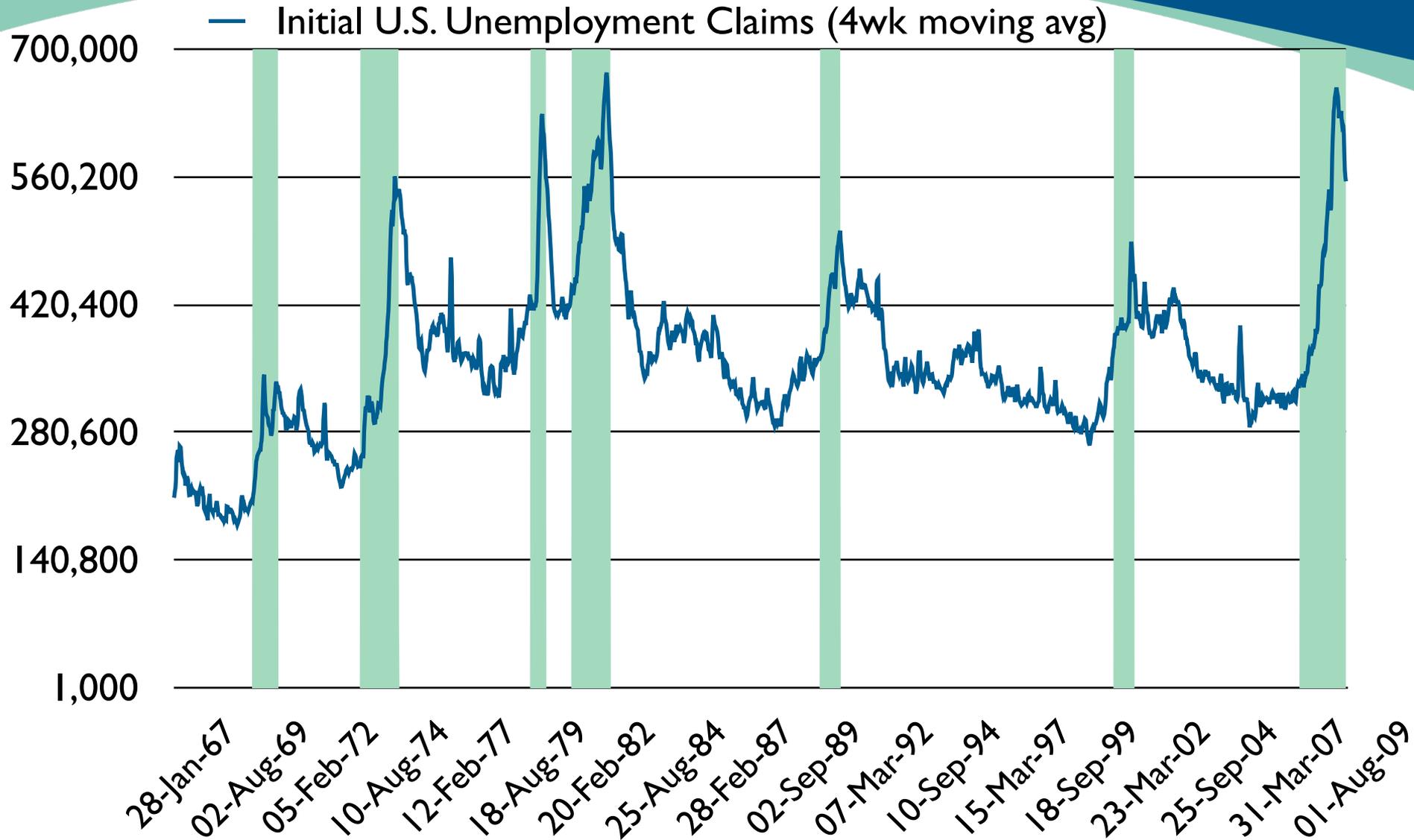


# Evidence of US Recovery

## ➤ The Good News

- Stock market has rallied
  - » S&P 500 up nearly 50% from early March low
- New housing starts are beginning to rise
- Initial claims for unemployment insurance off the April 9 peak

# Initial unemployment claims have peaked



# Evidence of US Recovery

## ➤ The Good News

- Stock market has rallied
- New housing starts are beginning to rise
- Initial claims for unemployment insurance off the April 9 peak

## ➤ The Less Bad News

- Non-farm jobs “only” down by 247K in July
- Unemployment actually fell from 9.5% to 9.4% in July
  - » Over 400K unemployed dropped out of the labor market entirely

# Evidence of US Recovery

## ➤ The Good News

- Stock market has rallied
- New housing starts are beginning to rise
- Initial claims for unemployment insurance off the April 9 peak

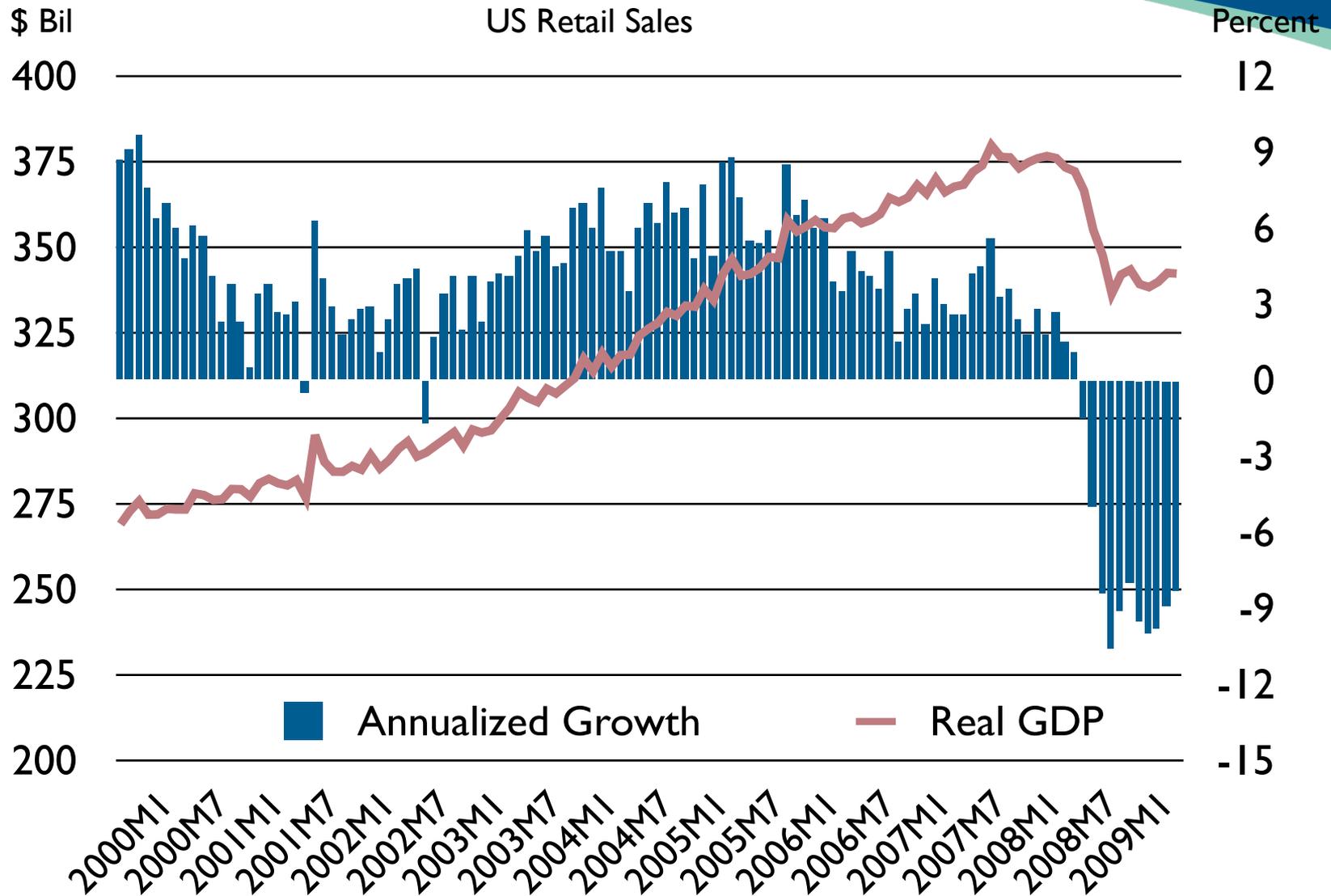
## ➤ The Less Bad News

- Non-farm jobs “only” down by 247K in July
- Unemployment actually fell from 9.5% to 9.4% in July

## ➤ The Still Waiting For News

- No clear bottom yet for existing home prices
- Still waiting on the consumer

# Consumer spending remains weak



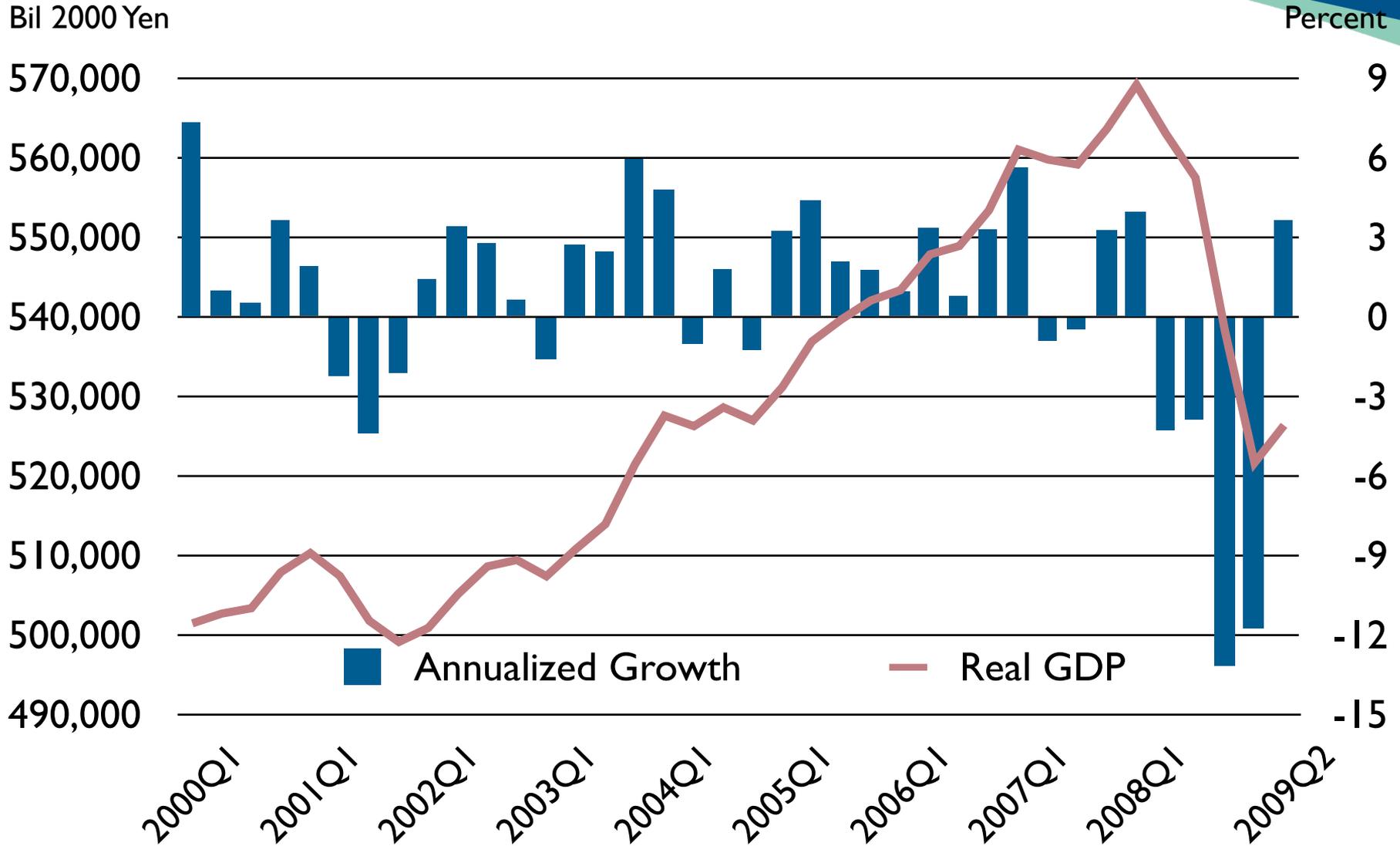
# Japan's recovery has begun

- Japan's economy expanded in the second quarter
  - A strong revival of Asian trade raised exports
  - Large fiscal stimulus offset lingering private sector weakness
- But the recovery is tenuous
  - Domestic demand still shrinking
  - Consumer and business confidence remains low
  - Unemployment has surged from 3.8% last September to 5.4% in June

# Japan's recovery has begun

- Japan's economy expanded in the second quarter
  - A strong revival of Asian trade raised exports
  - Large fiscal stimulus offset lingering private sector weakness
- But the recovery is tenuous
  - Domestic demand still shrinking
  - Consumer and business confidence remains low
  - Unemployment has surged from 3.8% last September to 5.4% in June
- And Japan has a big hole to crawl out of...

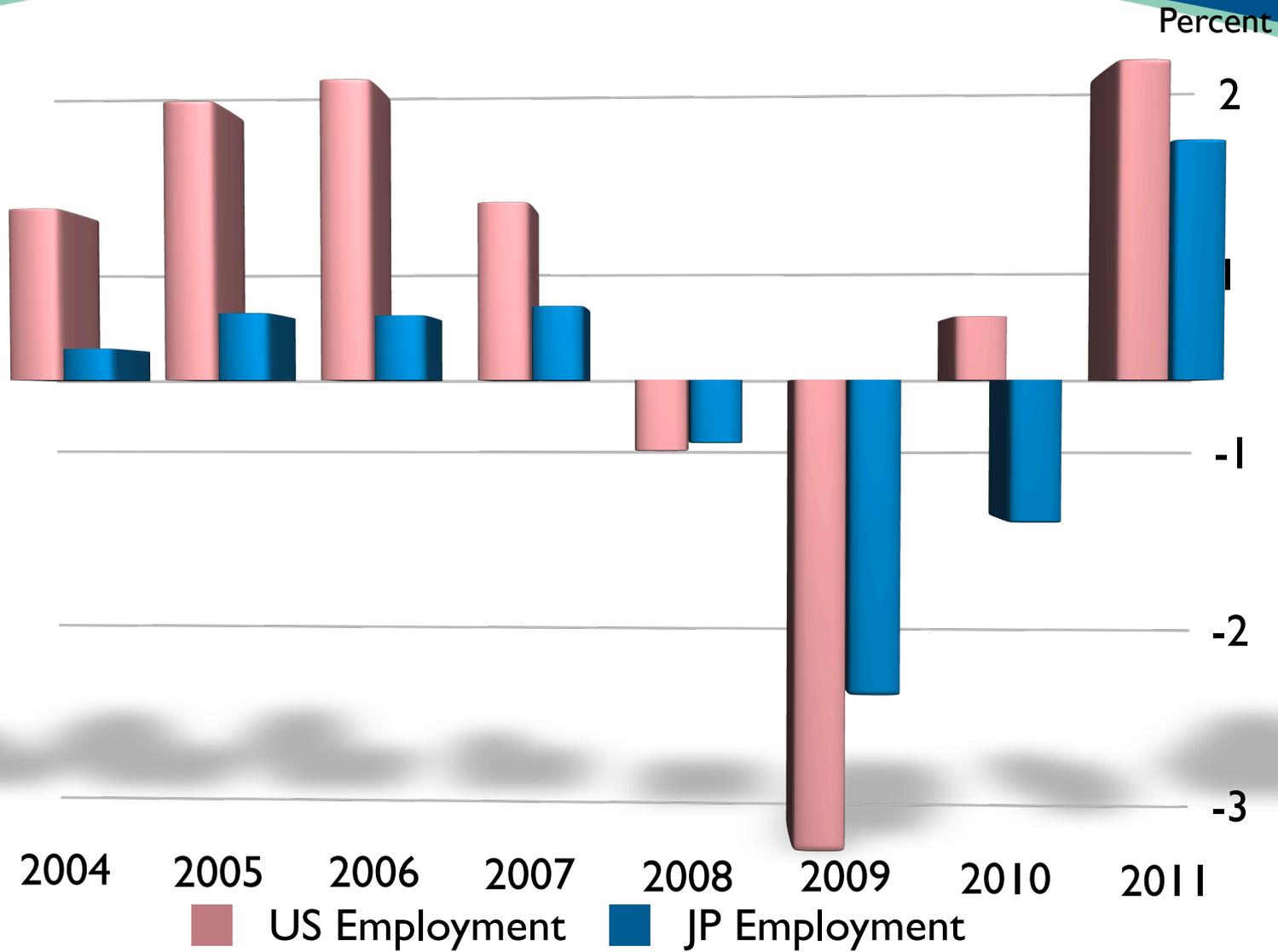
# Japanese output has edged up



# Prospects for global recovery

- Global recovery has begun
  - Developing Asia is bouncing back
  - European economies are on the mend
- Strong US rebound unlikely
  - Consumer confidence and finances are poor
- Japan's recovery could be hard to sustain
  - Slow recoveries in Western markets will hold back exports
  - What happens when fiscal stimulus wains?

# Recovery will be slow



# Challenges to medium-term growth

- Wealth losses will restrain US consumption growth
- Population aging/decline mean slower Japanese growth
- Government finances will be a drag in both countries

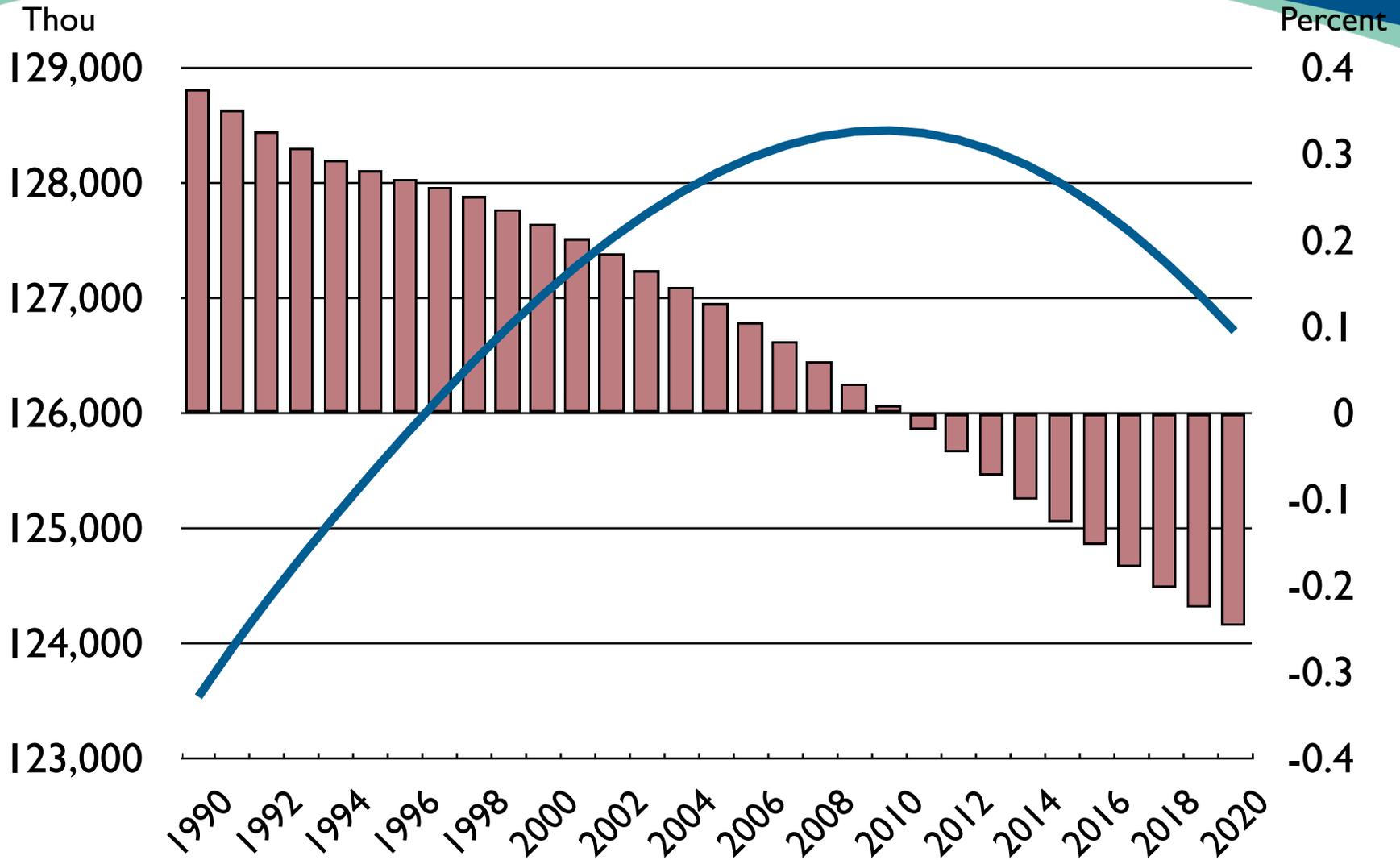
# US wealth losses will restrain spending

Total Household Net Worth as Percent of GDP



<http://www.calculatedriskblog.com/>

# Japan's shrinking population



# Challenges to medium-term growth

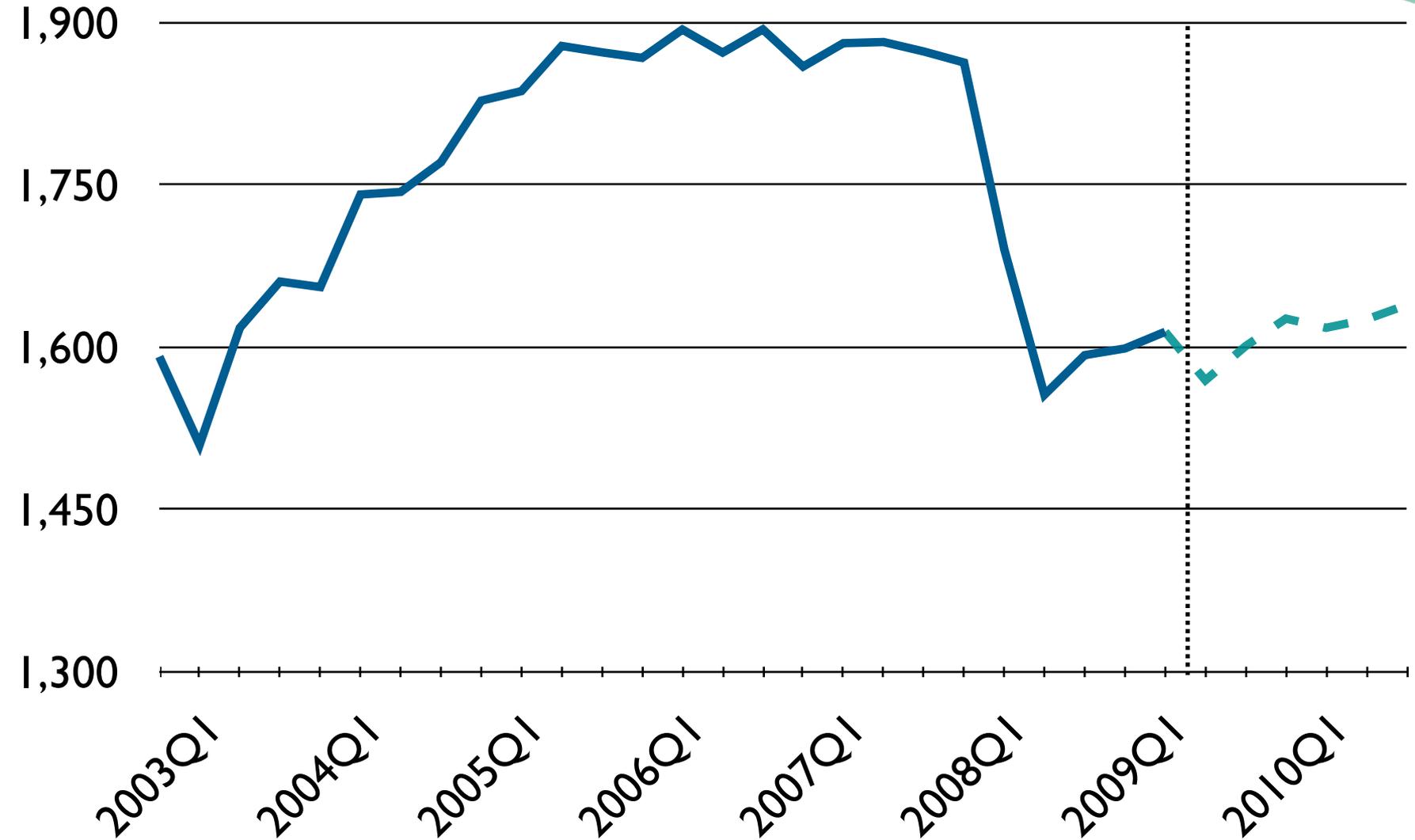
- Wealth losses will restrain US consumption growth
- Population aging/decline mean slower Japanese growth
- Government finances will be a drag in both countries
  
- Unknowns
  - Can developing Asian demand replace US consumer?
  - Whither oil prices?
  - Will environmental promises be kept?

# Hawaii Outlook

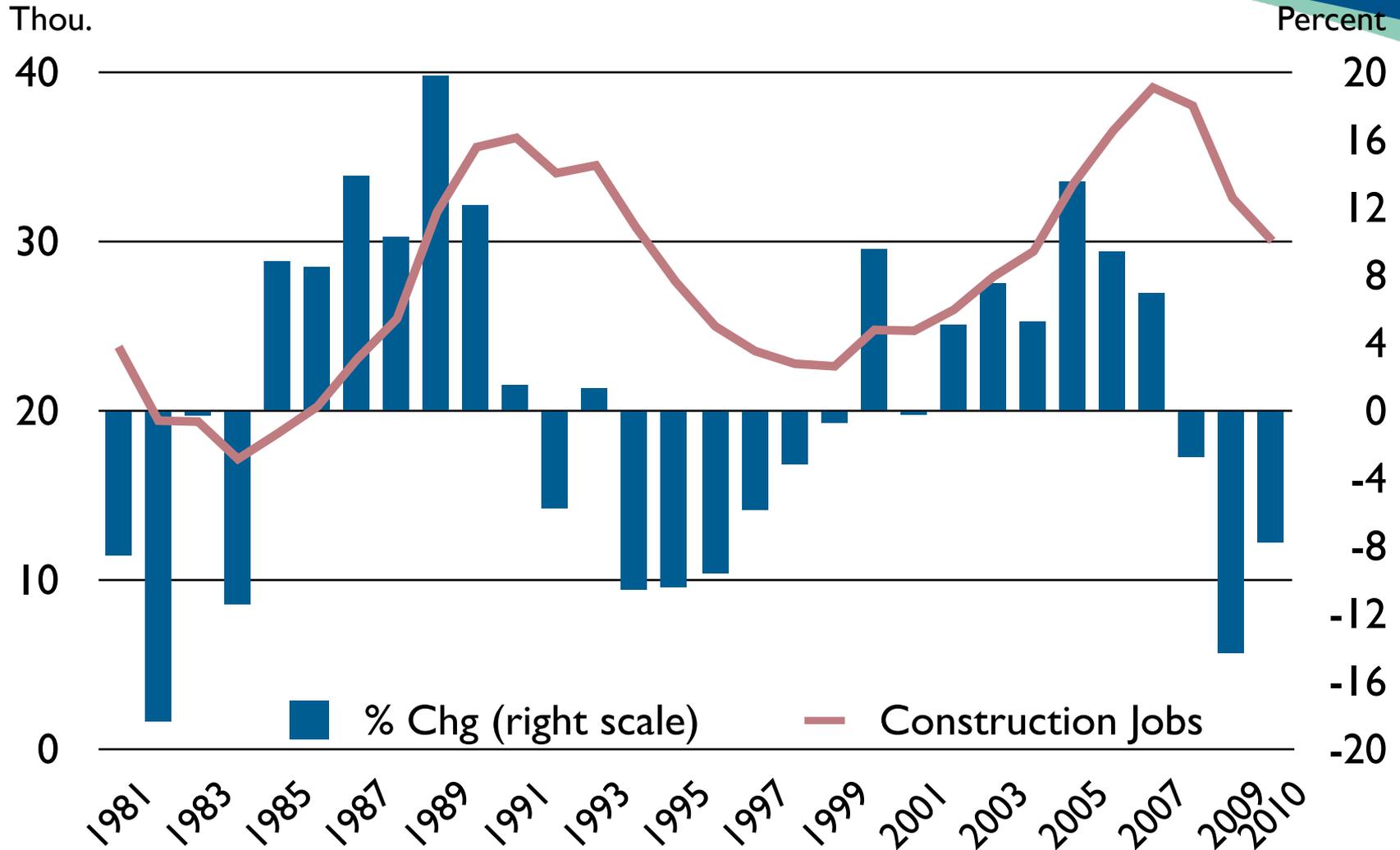
- Protracted tourism slump
  - As recession ends, travel demand will remain weak
  - Lower prices help sales but revenue suffers
  - And the rest of world is on sale too!
  - We should begin to see positive Y-Y growth from July on
- Job and real income growth sharply negative in 2009.
  - Visitor Sectors and Contracting will suffer the most
- Early 2010 bottom but very weak growth until 2011
- Unemployment and fiscal problems will persist

# Arrivals recovery will be anemic

State Visitor Arrivals (000s)



# Construction job losses not over



# No Job Recovery Until 2011



# State Forecast Preview

	2007	2008	2009	2010
Total Visitor Arrivals	-0.4	-10.4	-5.0	2.0
U.S. Visitor Arrivals	-0.5	-13.5	-3.2	1.4
JP Visitor Arrivals	-4.9	-9.1	-8.1	0.0
Non-farm Jobs	1.3	-0.9	-2.9	-0.4
Real Personal Income	1.0	-0.2	-2.0	0.0
Inflation Rate, Honolulu MSA (%)	4.9	4.3	0.5	0.2

# UHERO Economic Information Service

Powered by PROGNOZ

Thursday, April 10, 2008

[UHERO Home Page](#)

[At a Glance](#) [Tables](#) [Graphs](#) [Current Forecast](#) [Download Data Book](#) [About This Site](#)

Export: [Printer friendly version:](#)

## MAJOR ECONOMIC INDICATOR SUMMARY, Maui County

	2006-Q2	2006-Q3	2006-Q4	2007-Q1	2007-Q2	2007-Q3	2007-Q4	Year To Date
<a href="#">Non-Farm Jobs (Thou.)</a>	70.1	71.2	71.8	71.9	72.7	71.9	72.1	72.2
<a href="#">% Change</a>	3.0	3.8	4.4	4.3	3.8	1.0	0.5	2.4
<a href="#">Unemployment Rate (%)</a>	2.6	2.4	1.8	2.0	2.4	3.2	3.3	2.7
<a href="#">% Change</a>	1.3	-12.3	-26.0	-10.3	-8.9	35.2	85.2	20.9
<a href="#">Inflation Rate, Honolulu MSA (%)</a>	5.8	6.1	5.6	5.0	4.9	4.6	4.9	4.9
<a href="#">Visitors (Thou.)</a>	618.8	656.0	602.6	605.8	622.1	661.1	572.5	2,461.5
<a href="#">% Change</a>	10.3	3.5	5.4	1.0	0.5	0.8	-5.0	-0.6
<a href="#">Japanese Visitors</a>	21.5	25.5	23.6	22.3	19.1	24.4	17.3	83.1
<a href="#">% Change</a>	-14.5	-17.0	-0.4	-18.4	-11.0	-4.3	-26.8	-15.1
<a href="#">U.S. Visitors</a>	525.4	553.4	486.1	485.1	529.6	552.3	455.6	2,022.7
<a href="#">% Change</a>	9.6	2.4	4.7	0.9	0.8	-0.2	-6.3	-1.1
<a href="#">Visitor Expenditures (\$Mil.)</a>	862.9	944.2	887.2	921.5	847.1	913.6	847.0	3,529.2
<a href="#">% Change</a>	18.2	8.5	4.1	-1.7	-1.8	-3.2	-4.5	-2.8

Source: UHERO Economic Information Service (<http://www.uhero.hawaii.edu>). Table copyright UHERO, 2008.

Frequency:  | 
 From Year:  | 
 Quarter:  | 
 To Year:  | 
 Quarter:  | 
 Select Area:  | 
 Select Different Table:  |

# UHERO Economic Information Service Powered by PROGNOZ

[At a Glance](#) [Tables](#) [Graphs](#) [Current Forecast](#) [Download Data Book](#) [About This Site](#)

Export: [RTF](#) [PNG](#)

**Graphs** [Data Source](#) [Major Economic Indicators Table](#) [Table for this Category](#) [Download Data\(XLS file\)](#)

Copyright UHERO, 2007

Total Visitor Arrivals  
 Maui County



**Select series**

(Max. 2 series. Hold 'CTRL' key to select second series.)

- Visitor Industry
  - Visitor Arrival
    - Total Visitor Arrivals
    - Domestic Visitor Arrivals
    - US Visitor Arrivals
    - US East Visitor Arrivals
    - US West Visitor Arrivals
    - International Visitor Arrivals
    - Japanese Visitor Arrivals
    - Canadian Visitor Arrivals
  - Visitor Census
  - Visitor Accommodation
  - Visitor Expenditures
  - Total Air Seats Outlook
- Income
- Employment and Jobs
- External Indicators
- Gross Domestic Product
- Population
- Building Permits

Frequency:  From Year:  Quarter:  To Year:  Quarter:  Chart Type:  Select Area:  Compare To:



Mahalo