



UHERO

THE ECONOMIC RESEARCH ORGANIZATION  
AT THE UNIVERSITY OF HAWAII

UHERO FORECAST FOR THE STATE OF HAWAII

PUBLIC EDITION

# MORE SUBSTANTIAL RECOVERY IN SIGHT

MARCH 5, 2021





# UHERO

THE ECONOMIC RESEARCH ORGANIZATION  
AT THE UNIVERSITY OF HAWAII

---

## UHERO FORECAST FOR THE STATE OF HAWAII

©2021 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

**Justin Tyndall, Ph.D.**

Economist

**Rachel Inafuku**

Graduate Research Assistant

**India Alford**

Undergraduate Research Assistant

**Taylor Gabatino**

Undergraduate Research Assistant

**Joshua Hu**

Undergraduate Research Assistant

**Research assistance by:**

Victoria Ward

# Executive Summary

---

Hawaii is struggling to emerge from the severe COVID-19 downturn, but the recovery is poised to accelerate. Falling virus counts and vaccination progress set the stage for a strengthening visitor industry recovery as the year progresses, as well as growth in the broader local economy. Business failures and economic damage to lower-income households will continue to be burdens, and full recovery to pre-pandemic employment remains several years down the road. Exceptional uncertainty continues to surround our forecasts for Hawaii.

- US economic recovery stalled out late in the year as COVID-19 cases surged, but the economy is poised for a robust rebound as vaccination becomes widespread. The largest federal fiscal support on record and an accommodative Federal Reserve continue to be essential supports. Abroad, prospects for rich countries—who have locked up most of the world’s vaccine this year—are much better than for developing countries. For all countries, the speed of vaccination relative to contagious new COVID-19 variants will be key in recovery.
- Hawaii has managed the COVID-19 pandemic better than many, if not all, other states. This reflects Hawaii’s ability to almost completely shut itself off in the early stages of the pandemic, but we were also successful in tamping down a summer surge. After a holiday pickup, virus numbers have trended downward to their lowest level since July. Hawaii is also among the states furthest along in vaccination, priming the economy for renewed growth.
- Hawaii’s *Safe Travels* program has allowed the visitor industry to make a partial recovery, while keeping COVID-19 cases at bay. But visitor numbers remain far below pre-pandemic levels. As case counts fall and vaccination rates rise, US tourism will pick up speed as we approach the summer and fall months. International markets will lag. In our baseline forecast, arrivals recover half their pandemic losses by July, and visitor spending recovers nearly 70% of its losses by year end. Full recovery is still several years out.
- Vaccination progress will also allow a broader reopening of the local economy. At the same time, the accrued damage to local firms has been extensive, particularly in the most-affected areas of tourism and other face-to-face services. Surveys indicate a large number of firms fear failure in coming months. While the unemployment rate has receded, the payroll job base remained 16% below pre-pandemic levels in December. We expect an accelerating pace of job recovery as the year progresses.
- The crisis has had a disparate effect on high- and low-income households. Professional workers have been able to continue to work remotely, while many lower-income households are dependent on the face-to-face services that have been hardest hit. This has led to disproportionate economic hardship for these families. Income and housing support programs have been crucial in preventing economic collapse for some families and communities.
- There remains an exceptional level of uncertainty about the path forward, which will depend on COVID-19 control, an end to social distancing, the extent of business failures, and the travel and spending response of consumers. In an optimistic scenario, broad vaccine coverage by summer in the US and major international markets, and a spending surge driven by fiscal stimulus and pent-up demand, would fuel a more-robust tourism and local recovery. Slower-than-expected vaccination progress and resurgent case counts could lead to poorer recovery progress. Business failures and damage to household balance sheets and employment prospects could weigh more heavily on the economy. In such a pessimistic scenario, overall economic recovery would be more delayed and much less robust.

# Forecast Summary

## MAJOR ECONOMIC INDICATORS BASELINE FORECAST SCENARIO, PUBLIC SUMMARY

	2018	2019	2020	2021	2022	2023
<b>STATE OF HAWAII</b>						
Nonfarm Payrolls (Thou)	658.2	657.8	558.0	580.2	625.5	637.7
% Change	0.5	-0.1	-15.2	4.0	7.8	1.9
Unemployment Rate (%)	2.5	2.7	12.0	7.1	4.4	3.8
Real Personal Income (Mil 2020\$)	80,964.2	81,994.8	85,556.4	84,657.6	82,008.1	83,586.7
% Change	1.2	1.3	4.3	-1.1	-3.1	1.9
Real GDP (Mil 2020\$)	96,101.2	97,248.6	89,966.9	93,251.1	96,157.9	97,491.7
% Change	2.0	1.2	-7.5	3.7	3.1	1.4
Total Visitor Arrivals by Air (Thou)	9,888.8	10,385.8	2,738.2	4,978.4	8,004.5	8,869.8
% Change	5.2	5.0	-73.6	81.8	60.8	10.8
Visitor Days (Thou)	87,721.3	89,690.4	28,258.3	49,110.8	71,636.9	78,690.7
% Change	4.9	2.2	-68.5	73.8	45.9	9.8
Real Visitor Expenditures (Mil 2020\$)	18,074.0	17,994.4	5,216.2	9,294.7	14,117.4	16,271.5
% Change	3.1	-0.4	-71.0	78.2	51.9	15.3
<b>HONOLULU COUNTY</b>						
Nonfarm Payrolls (Thou)	473.2	473.5	410.1	423.9	452.1	460.3
% Change	0.3	0.0	-13.4	3.4	6.7	1.8
Unemployment Rate (%)	2.4	2.6	10.5	5.9	3.9	3.4
Inflation Rate, Honolulu MSA (%)	1.8	1.6	1.6	1.7	2.4	2.6
Real Personal Income (Mil 2020\$)	60,002.9	60,554.4	62,489.3	62,132.0	60,783.4	61,890.1
% Change	0.9	0.9	3.2	-0.6	-2.2	1.8
Total Visitor Arrivals by Air (Thou)	5,862.4	6,153.9	1,555.9	2,699.5	4,613.5	5,171.0
% Change	3.2	5.0	-74.7	73.5	70.9	12.1
<b>HAWAII COUNTY</b>						
Nonfarm Payrolls (Thou)	71.2	70.8	60.5	63.8	69.2	70.1
% Change	0.5	-0.6	-14.5	5.4	8.4	1.4
Unemployment Rate (%)	3.0	3.5	11.5	7.9	5.6	4.9
Real Personal Income (Mil 2020\$)	8,783.7	8,919.6	9,566.5	9,274.2	8,873.8	9,104.4
% Change	2.0	1.5	7.3	-3.1	-4.3	2.6
Total Visitor Arrivals by Air (Thou)	1,706.2	1,763.9	471.1	889.0	1,425.6	1,587.9
% Change	-3.4	3.4	-73.3	88.7	60.3	11.4
<b>MAUI COUNTY</b>						
Nonfarm Payrolls (Thou)	80.3	80.2	60.9	64.7	73.4	75.7
% Change	1.7	-0.2	-24.0	6.2	13.4	3.2
Unemployment Rate (%)	2.4	2.6	17.9	11.6	5.5	4.6
Real Personal Income (Mil 2020\$)	8,476.8	8,736.0	9,472.2	9,335.2	8,655.4	8,814.5
% Change	1.5	3.1	8.4	-1.4	-7.3	1.8
Total Visitor Arrivals by Air (Thou)	2,963.6	3,111.1	832.7	1,732.5	2,656.1	2,916.4
% Change	5.9	5.0	-73.2	108.1	53.3	9.8
<b>KAUAI COUNTY</b>						
Nonfarm Payrolls (Thou)	32.7	33.4	26.4	27.8	30.9	31.6
% Change	-0.4	2.3	-20.9	5.4	10.8	2.3
Unemployment Rate (%)	2.5	2.7	16.3	9.8	5.3	4.8
Real Personal Income (Mil 2020\$)	3,700.8	3,784.9	4,028.4	3,916.2	3,695.5	3,777.7
% Change	3.5	2.3	6.4	-2.8	-5.6	2.2
Total Visitor Arrivals by Air (Thou)	1,388.5	1,370.0	341.0	578.5	1,143.0	1,253.6
% Change	8.0	-1.3	-75.1	69.6	97.6	9.7

Note: Source is UHERO. Nonfarm Payrolls for 2019-2020 are UHERO estimates of the benchmark revision. Figures for GDP for 2020 are UHERO estimates. Figures for county income for 2020 are UHERO estimates. Figures for 2021-2023 are forecasts.

# UHERO

THE ECONOMIC RESEARCH ORGANIZATION  
AT THE UNIVERSITY OF HAWAII

---

## UHERO THANKS THE FOLLOWING SUPPORTERS:

### KA WĒKIU - THE TOPMOST SUMMIT

American Savings Bank  
Bank of Hawai'i  
DGM Group  
First Hawaiian Bank  
Hawai'i Business Roundtable  
Hawai'i Community Foundation  
Hawai'i Pacific Health  
Hawaiian Electric Industries  
Kamehameha Schools  
HMSA

### KILOHANA - A LOOKOUT, HIGH POINT

Board of Water Supply  
Dowling Co  
DR Horton  
First Insurance Company of Hawaii, Ltd.  
Hawaiian Airlines  
Island Holdings, Inc.  
Matson Company  
Standford Carr Development

### KUAHIWI - A HIGH HILL, MOUNTAIN

Architects Hawaii, Ltd.  
Better Homes and Gardens Real Estate Advantage Realty  
Central Pacific Bank  
Dowling Company  
Halekulani Corporation  
Hawaii Gas  
Hawaii Tourism Authority  
Hau'oli Mau Loa  
HGEA

The Howard Hughes Corporation  
HPM Building Supply  
Kaiser Permanente Hawai'i  
The Hawaii Laborers & Employers Cooperation and Education  
Trust Fund  
The Natural Energy Laboratory of Hawaii Authority  
The Pacific Resource Partnership  
Servco Pacific, Inc.

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. Supporters 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 supporters 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>.