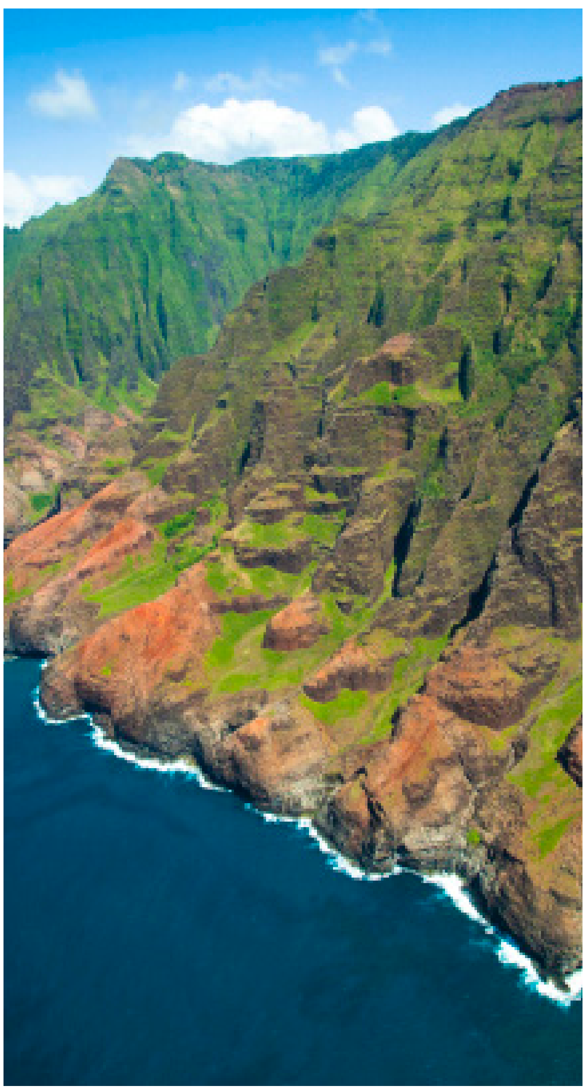
UHERO
THE ECONOMIC RESEARCH ORGANIZATION
AT THE UNIVERSITY OF HAWAI'I

UHERO FORECAST FOR THE STATE OF HAWAII

Federal policies push Hawaii toward mild recession

MAY 9, 2025



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EXECUTIVE SUMMARY

Hawaii's economic outlook has taken a decisive turn for the worse, as expansive federal policy shifts look poised to tip the local economy into a mild recession. Sharp increases in US import tariffs, sweeping federal layoffs, and volatile fiscal and immigration policies are undermining consumer confidence, raising inflation expectations, and worsening the business outlook—both nationally and in Hawaii's visitor-dependent economy.

National and Global Context

The Trump Administration's imposition of the highest import tariffs in over a century—including a universal 10% tariff and levies as high as 145% on some Chinese goods—has destabilized US markets. Equity indices plunged in response, and both business and consumer sentiment has declined sharply. With federal layoffs now exceeding 130,000 and at least another 140,000 planned, labor market weakness looms. Because of the inflationary impact of tariffs, the Federal Reserve is likely to delay interest rate cuts, barring a marked economic slowdown. US GDP is now forecast to grow less than 1% this year, while global growth projections have been revised downward across most economies, including in the key visitor markets of Canada and Japan.

Hawaii Tourism Outlook

Although the year began with modest gains—particularly on Maui, which benefited from post-wildfire recovery—Hawaii's tourism sector now faces significant headwinds. International arrivals are already down 3–6%, with double-digit percentage declines in airlift from Japan and Canada. A soft booking trend and still-weak currencies suggest a deepening slump in international travel. Domestically, economic uncertainty and higher costs are expected to dampen demand. Total visitor arrivals are now projected to decline by 4% over the next two years, with a $1.6 billion reduction in real visitor spending by 2026. All counties will see declines in visitor-related employment. A full recovery of visitor arrivals is not expected until 2028.

Labor Market and Inflation

Job growth began the year on solid footing, but momentum will fade. The forecast anticipates a nearly 1% contraction in employment for 2026, with the biggest losses in public sector and visitor-related jobs. Federal spending cuts may ultimately reduce Hawaii's federal workforce by 2,300 civilian positions, and spending cuts will reverberate through local government and nonprofit sectors dependent on federal funding. Tariffs will drive an increase in Inflation, with the Honolulu CPI forecast to exceed 4% in 2025 and 2026, up from earlier projections.

Construction and Housing

Construction remains strong for now, buoyed by public infrastructure and Maui rebuilding, but tariffs on imported materials and labor constraints will weigh on future activity. By 2027, construction employment will begin to gradually recede. Housing prices remain elevated, with median single-family home prices continuing to rise. Condominium markets, especially in Maui, are stagnating due to the ongoing insurance crisis and potential regulatory changes such as the "Minatoya List" vacation rental phase-out.

Local Policy Impacts

Federal budget decisions continue to inject uncertainty into Hawaii's funding landscape. Potential cuts to Medicaid and SNAP could affect hundreds of thousands of residents. At the state level, initiatives such as a proposed "green fee" via a Transient Accommodations Tax hike aim to fund climate and economic development efforts, but timing and impact remain uncertain.

Forecast Risks

UHERO now forecasts limited GDP growth for 2025 and a contraction in 2026, marking Hawaii's first recession since the pandemic. Recovery will be slow, with real income growth remaining below 1% until 2028. Risks remain exceptionally large: sustained tariffs, delayed policy reversals, and global backlash to US actions could deepen the downturn. While fiscal stimulus and currency shifts may offer partial relief, the near-term outlook is marked by uncertainty, fragility, and broad-based economic stress.

FORECAST SUMMARY

MAJOR ECONOMIC INDICATORS

STATE OF HAWAII FORECAST

	2023	2024	2025	2026	2027
STATE OF HAWAII					
Nonfarm Payrolls (Thou)	632.6	638.8	**643.7**	638.6	639.0
% Change	2.4	1.0	**0.8**	−0.8	0.1
Unemployment Rate (%)	2.9	3.0	**3.1**	3.6	3.7
Real Personal Income (Mil 2024$)	99,118.2	100,533.6	**101,439.0**	101,262.4	101,931.0
% Change	2.3	1.4	**0.9**	−0.2	0.7
Real GDP (Mil 2024$)	115,084.8	115,627.2	**116,903.1**	116,589.9	117,594.9
% Change	3.7	0.5	**1.1**	−0.3	0.9
Average Daily Census (Thou)	234.8	229.3	**224.4**	221.5	229.5
% Change	1.1	−2.3	**−2.1**	−1.3	3.6
Real Visitor Expenditures (Mil 2024$)	21,574.4	20,584.1	**19,404.6**	18,923.2	19,280.3
% Change	2.1	−4.6	**−5.7**	−2.5	1.9
HONOLULU COUNTY					
Nonfarm Payrolls (Thou)	455.7	460.6	**463.8**	460.0	460.3
% Change	2.5	1.1	**0.7**	−0.8	0.1
Unemployment Rate (%)	2.6	2.7	**2.9**	3.5	3.6
Inflation Rate, Honolulu MSA (%)	3.1	4.4	**4.1**	4.6	2.8
Real Personal Income (Mil 2024$)	72,174.5	72,992.9	**73,532.4**	73,506.1	73,990.9
% Change	2.6	1.1	**0.7**	0.0	0.7
Average Daily Census (Thou)	111.0	112.4	**109.6**	107.0	109.3
% Change	12.1	1.2	**−2.5**	−2.4	2.1
HAWAII COUNTY					
Nonfarm Payrolls (Thou)	70.9	72.5	**73.1**	72.4	72.3
% Change	4.1	2.2	**0.8**	−0.9	−0.1
Unemployment Rate (%)	3.2	3.2	**3.5**	3.9	3.9
Real Personal Income (Mil 2024$)	11,455.4	11,730.2	**11,871.7**	11,818.1	11,901.9
% Change	2.0	2.4	**1.2**	−0.5	0.7
Average Daily Census (Thou)	38.4	37.0	**34.7**	34.3	35.5
% Change	1.9	−3.6	**−6.3**	−1.0	3.4
KAUAI COUNTY					
Nonfarm Payrolls (Thou)	31.7	32.2	**32.9**	32.6	32.6
% Change	3.1	1.7	**1.9**	−0.7	0.0
Unemployment Rate (%)	2.6	2.6	**3.0**	3.8	3.9
Real Personal Income (Mil 2024$)	4,721.6	4,846.3	**4,936.2**	4,917.4	4,947.0
% Change	1.9	2.6	**1.9**	−0.4	0.6
Average Daily Census (Thou)	29.0	28.0	**27.2**	26.9	27.5
% Change	1.4	−3.6	**−2.5**	−1.3	2.3
MAUI COUNTY					
Nonfarm Payrolls (Thou)	74.3	73.5	**74.0**	73.5	73.7
% Change	−0.7	−1.1	**0.7**	−0.7	0.3
Unemployment Rate (%)	4.5	4.3	**3.7**	4.0	3.7
Real Personal Income (Mil 2024$)	10,769.2	10,964.2	**11,098.7**	11,020.9	11,091.3
% Change	0.6	1.8	**1.2**	−0.7	0.6
Average Daily Census (Thou)	56.3	51.9	**52.9**	53.3	57.2
% Change	−15.6	−7.8	**1.9**	0.8	7.3

Note: Source is UHERO. County income figures for 2024 are UHERO estimates. Figures for 2025-2029 are forecasts.

SECOND QUARTER HAWAII FORECAST

The Hawaii outlook has deteriorated since the time of our last report. This is primarily due to actual and threatened US tariff hikes that are much larger than anticipated, as well as the adverse effects of increased federal policy uncertainty around trade, immigration, spending and tax cuts, and other areas. These have caused a sharp decline in US consumer confidence, a pullback in stock prices, and increased business caution about capital investment. As a result, we now see US real gross domestic product rising by only about 1% this year and next. Growth prospects for other countries are also lower than a few months ago.

Hawaii is very exposed to federal policy changes and uncertainties because of our extensive dependence on travel and tourism. Domestic tourism will take a hit from weaker consumer income and confidence, as well as reduced job security. Foreign travel appears poised to decline significantly, at least in the near term, because of worsening macro prospects abroad, concerns about travel disruptions, and deteriorating attitudes toward the US government. While there exists unusually high uncertainty, we think the various effects of federal policies and their economic impacts will tip the local economy into a mild recession by the end of this year.

Massive tariffs upend US outlook

President Trump imposed large and widespread tariffs on imported goods on April 9. These are the biggest import taxes since the turn of the 20th century. The President set a universal tariff of 10%, an additional 34% on China, with so-called "reciprocal tariffs" on many trade partners, ranging, for example, from 20% for the EU and 46% for Vietnam. Those tariffs have been paused for 90 days to allow bilateral negotiations. That is aside from China, where Trump had engaged in a tit-for-tat trade spat, hiking tariffs on many Chinese goods to 145%, with, for now, the notable exclusion of most electronics. The tariffs were chosen without regard to actual foreign trade barriers, but as measures aimed at eliminating bilateral trade deficits. Canada and Mexico, our biggest trading partners, were exempted from additional tariffs.

TARIFF RATES ON US IMPORTS AS OF APRIL 10, 2025

Actual and potential tariffs have risen more than expected.

	Share of US imports	Previous Rate	Updated Total
European Union	18.5%	20%	10%
China	13.4%	34%	145%
Japan	4.5%	24%	10%
Vietnam	4.2%	46%	10%
South Korea	4%	25%	10%
Taiwan	3.6%	32%	10%
India	2.7%	26%	10%
UK	2.1%	10%	10%
Switzerland	1.9%	31%	10%
Thailand	1.9%	36%	10%
Malaysia	1.6%	24%	10%
Brazil	1.3%	10%	10%
Singapore	1.3%	10%	10%

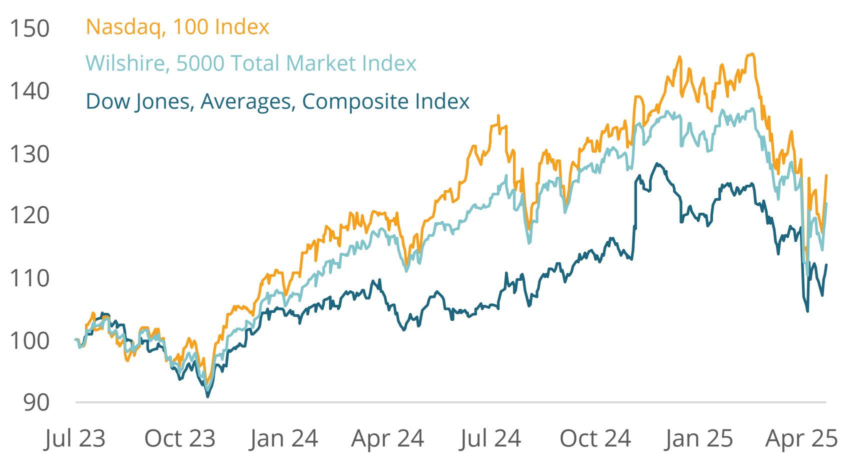
Even under the tariffs currently in place, the increase to about 28% in the overall effective tariff rate will act as a substantial tax on consumption and drag on economic activity. It will cause at least a one-time rise in inflation later this year. Aside from a hike to 125% by China, it has yet to be seen how large the retaliation from some foreign countries will ultimately be, or whether deals will be struck that will lead to their partial removal. We will discuss the specific effects on Hawaii, below.

But new tariffs at some level will likely remain in place. That is because the Trump Administration has argued that they are an excellent source of revenue that would allow for further income and other tax cuts. How much revenue they will in fact raise is a matter of dispute, but it could be as much as $2.4 trillion over ten years, according to the Yale Budget Lab. This would cover more than half of an extension to the 2017 Trump Tax Cuts. Congress has indicated a willingness to jettison the normal limits built into the Continuing Resolution process in order to pass a wide-ranging fiscal bill relatively soon. It is unclear at this point whether tax cut stimulus will exceed spending cut drag and the macroeconomic costs of tariffs.

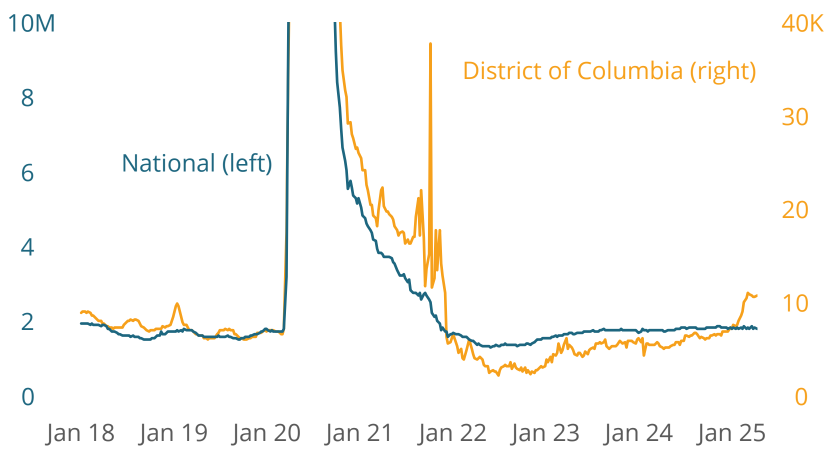
US companies in many industries are very concerned about the impact of tariffs on their access to parts, the prices of inputs, and the effect of necessary increases to their own sales prices. Financial markets appear to share these concerns. In the two-and-a-half days following the tariff announcements, US stock prices fell broadly, with both the S&P 500 and the broad market Wilshire 5,000 shedding more than 10%. Losses on the tech-heavy NASDAQ were larger. While a portion of those losses has been reversed, these wealth losses will weigh on consumer spending in the months ahead.

The Administration's aggressive plans to reduce the federal workforce have resulted in about 132,000 firings, voluntary retirements, and deferred resignations as of April 14, with another 146,000 planned. Another round of cuts is in the works. These have yet to show up in a significant increase in unemployment claims, overall unemployment, or payroll job losses, aside from measurable effects in the Washington, DC area. Even here, the effects have been small so far. In fact, data on March employment at the National level showed only a 4,000 net decline in federal payrolls; expect that to increase substantially in coming months.

US EQUITY PRICE INDEXES AS OF APRIL 24, 2025 (JULY 1, 2025 = 100)
Growth concerns and volatile policy have caused a sharp fall in stock prices.



CONTINUING JOBLESS CLAIMS
Federal layoffs have yet to show up as a sharp rise in unemployment claims.



Real consumer spending data flattened in February. (Data for March was released too late to be included in this report.) But March retail sales expanded at their fastest pace in more than three years, driven by auto buying in advance of tariffs. Estimates of overall 1st quarter real GDP growth have weakened considerably since the end of February. The Federal Reserve Bank of Atlanta's *GDPNow* estimate is for a contraction of 2.2% on an annualized basis, or roughly 0% excluding unusually high gold imports.

Inflationary impulse will likely delay Fed rate cuts

The Federal Reserve is now less likely to reduce interest rates in coming months because of the anticipated inflationary impact of the tariffs. In comments on April 16, Chairman Jerome Powell noted that the larger scope and scale of planned tariffs now likely means slower growth and higher inflation than previously anticipated, and that choosing between which of its two goals of full employment and price stability to target, "will no doubt be a very difficult judgment."

Inflation has proven to be stubbornly persistent. PCE inflation rose 0.3% for the third consecutive month in February, raising the average for the most recent three-month period to an annualized 3.9%, well above the Fed's 2% long-run target. While PCE data for March is not available at the time we are writing, the alternative consumer price index measure was somewhat encouraging. Still, inflation expectations have spiked recently and we have yet to see the feedthrough of tariffs into prices.

As a result of these developments, we have sharply lowered our forecast for US growth this year and next. We now see the US economy managing just 1% annual growth this year and a bit less than that in 2026. Growth will rise gradually to 2% by 2028-2029.

US-led trade war will slow global growth

The large US tariff increases, stalled global disinflation progress, declining sentiment, and heightened uncertainty have prompted a marked downgrading of growth projections for virtually the entire global economy. In its April Economic Outlook, the International Monetary Fund marked down their forecast for 2025 global growth by a half percent compared with their January Update. They now expect the global economy to grow by 2.8% this year, firming just a bit to 3% in 2026. Advanced economies will grow only 1.4% this year. (Because of the uncertain trade policy environment, the IMF has also produced various alternative projections.)

Countries that are most exposed to large actual or threatened US tariffs, or which are already underperforming, are most vulnerable to further economic slowing. Canada is expected to grow just 1% this year, and the IMF expects Mexico to see a modest contraction. China's economy will expand by 4% this year, down from 5% in 2024. The country continues to suffer from a moribund property market and excess capacity in some industries, which pushed inflation into negative territory in February. Germany, Europe's usual growth engine, shrank last year because of an already-poor trade environment and is expected to remain flat in 2025.

We are slightly more optimistic about Japan, where growth firmed over the past year. But by year end, much of the growth was coming from exports, so there is downside risk to our 1.2% growth forecast for this year. We expect slowing to only 0.3% expansion in 2026. Australia and New Zealand, which are less exposed to the possibility of large US tariffs, will both grow by about one-and-a-half percent this year.

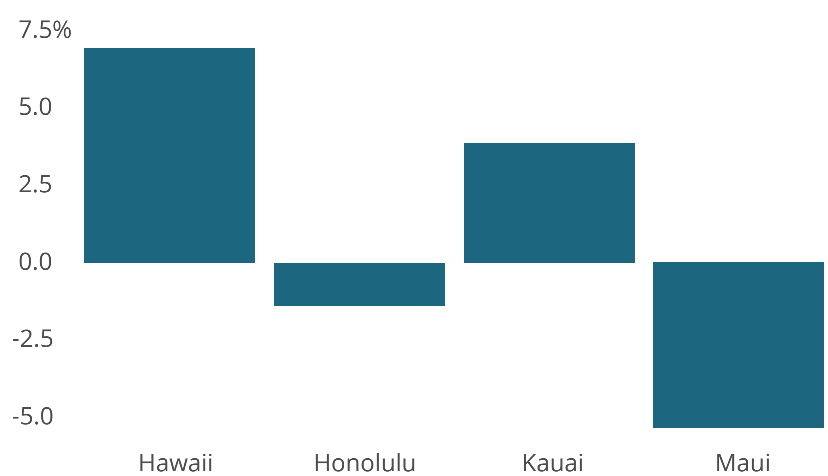
Tourism: Calm before the storm

Despite growing concern about looming challenges, Hawaii's tourism industry has begun 2025 on a positive note. The statewide visitor census was up 2% in the first two months of the year compared with 2024 levels. Small dips in the average daily visitor census on Oahu and Kauai have been balanced out by a modest gain on Hawaii Island and a nearly double-digit percentage increase on Maui, thanks in part to its continuing recovery from the 2023-2024 wildfires.

These trends are also reflected in hotel performance. On Oahu, seasonally adjusted hotel occupancy rates have been essentially unchanged, remaining slightly below 80%. Kauai and the Big Island have seen notable improvements in occupancy, with meaningful upticks of 4-7 percentage points compared with a year ago. On both islands, roughly three quarters of hotel rooms are now occupied.

Maui continues to contend with hotel market softness. Even with more visitors overall, occupancy rates remain below last year's level. This apparent underutilization is due in part to the gradual return to the accommodation inventory of units that had been occupied by displaced residents and recovery workers in the initial post-wildfire period.

YEAR-TO-DATE CHANGE IN OCCUPANCY RATES
Maui hotel room availability has increased as displaced residents moved out.



Transient vacation rentals have faced relatively stable conditions across the state, with occupancy rates in the low 60% range. But rates are more than 10% higher than last year in all counties except Kauai, where they are up 6%. Occupancy of timeshares, the most stable segment of the accommodation market, had risen above 90% in all counties in the fourth quarter of last year, and is now on par with the pre-pandemic level. This segment may well play an important stabilizing role, should tourism demand weaken as we expect.

While the number of visitors to the state has increased slightly, the average length of a Hawaii vacation has ticked down 1% since the start of last year, with visitors staying an average 8.7 days in the Islands. Inflation-adjusted visitor spending, both total and in per capita terms, rose less than 1% in the first two months of the year.

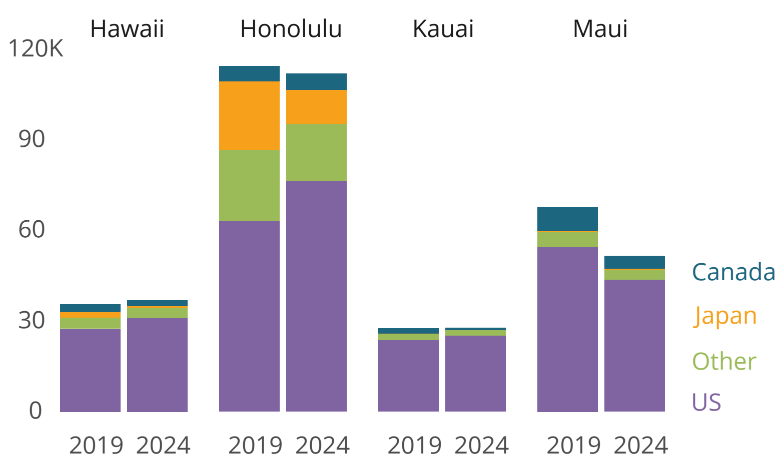
US arrivals have provided stability for the tourism industry. Even though about 9% of all tourists typically hail from Southern California, Hawaii's largest market, the Los Angeles wildfires appear to have had only a minimal impact on travel to the Islands. Through February, arrivals from Los Angeles-Long Beach-Anaheim were down only 1.5%, which is in fact a smaller drop than the decline from the San Francisco Bay Area.

While overall US arrivals edged higher, international markets started the year with losses in the 3-6% range, a potentially worrisome sign of things to come. Fluctuations in airlift exhibited similar patterns, as airlines adjusted capacity to demand. Although domestic lift was up about 2% in the first two months of the year, international air capacity dropped more than 10%. Both Japanese and Canadian airlift experienced double-digit declines. Total seats flown to Hawaii in the January-February period were down slightly compared with last year.

The outlook for scheduled seats indicates growing weakness, even as numbers have held up so far. The most significant immediate concerns center on our two largest sources of international visitors, Japan and Canada. The Japanese market's ongoing recovery from the pandemic plunge has been sluggish over most of the past year, and the reported decline in Canadian travel to the US overall threatens weakness in future Hawaii-bound trips. Industry surveys show that summer flight reservations from Canada to the US overall and average booking lead times have dropped significantly, compared with this time last year. Carriers have cut nearly one-tenth of their scheduled seats from Japan and Canada to Hawaii for the first half of this

VISITOR CENSUS BY COUNTY AND MAJOR MARKET

Among international markets, Canada is most important for Maui, while Honolulu depends more on Japan and other markets.



year amid sharply lower forward bookings. In the case of flights from Canada, the weaker outlook comes on the heels of a nearly 15% decline in lift between 2022 and 2024.

We will have more to say about the impacts of US policy on the outlook for Hawaii travel and tourism in the forecast section below.

Federal budget resolutions add to an uncertain funding environment

The US Congress's continuing resolution funds the government through the end of the current fiscal year in September. While the resolution largely maintains funding at 2024 levels, incorporating only $13 billion in non-defense spending cuts, it gives the administration broad discretion in allocating funds. This increased flexibility introduces considerable uncertainty for federal programs in Hawaii, particularly those reliant on discretionary funding, such as higher education and federal research grants. In Hawaii, institutions like the University of Hawaii and the East-West Center are already facing disruptions from shifting federal funding priorities.

Compounding this uncertainty, both the House and Senate each passed budget resolutions outlining proposed fiscal priorities for future budgets. While budget resolutions are not binding, they serve as a blueprint for upcoming appropriations bills. Notably, the House plan would likely need to make reductions in Medicaid funding in order to achieve its significant proposed cuts. If enacted, this could affect up to 140,000 low-income Hawaii residents who rely on the program for healthcare coverage. Other proposed reductions target federal assistance programs, such as SNAP, which could strain many households in Hawaii, with ripple effects on local economies, education, and healthcare services. There has been pushback against these cuts by some members from both Democratic and Republican parties, and also resistance to the large implied budget deficits from a small cadre of fiscal conservatives. These developments underscore the ongoing unpredictability of federal funding and its potential impact on state-level programs and initiatives.

"Green fees" may be on the way

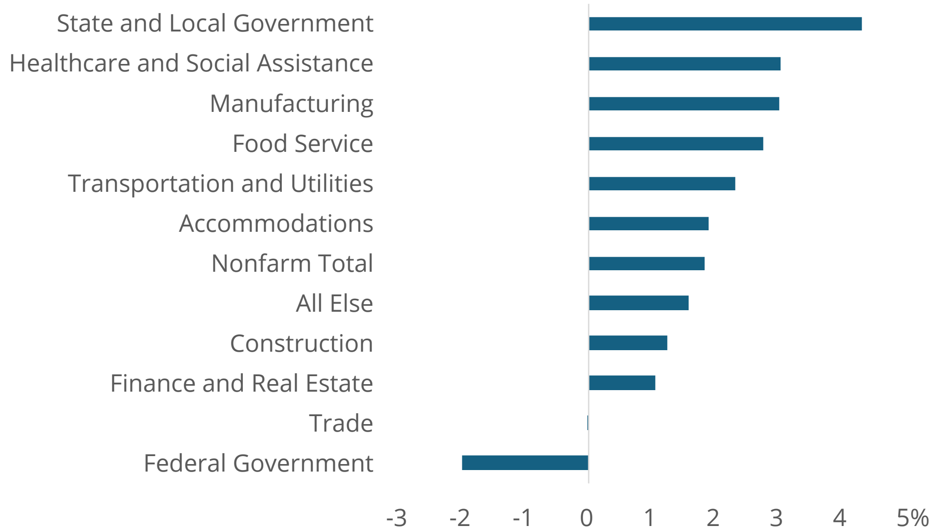
During his 2024 State of the State address, Governor Josh Green advocated for a Climate Impact Fee to fund environmental conservation and climate change adaptation efforts in Hawaii. The legislature is poised to implement this initiative through SB1396, which increases the Transient Accommodations Tax (TAT) from 10.25% to 11%, effective January 1, 2026. The bill also extends the TAT to cruise ship cabins, taxing them based on the duration ships are docked in Hawaii ports. The additional revenue will be allocated to two newly established special funds: the Climate Mitigation and Resiliency Special Fund and the Economic Development and Revitalization Special Fund. These funds are designated to support projects addressing climate change impacts, economic development, infrastructure within tourism districts, and tourism marketing.

A healthy starting point as Hawaii awaits labor slowdown

Overall, Hawaii's labor market remains healthy for now. Statewide employment sits just 1% below its pre-pandemic peak, and the unemployment rate is below 3%. Jobs continue to grow at a slow but steady pace, with the total nonfarm job count up almost 2% in the first three months of the year. The counties have seen jobs grow at a similar pace over this time period, ranging from 1% on Hawaii Island to 3% on Kauai. Although payrolls

CHANGE IN JOBS FROM MARCH 2024 TO MARCH 2025

So far, federal jobs are the only category to see year-over-year job losses.



in Maui County have increased by 2% over the past year, the county has yet to recover one-third of the jobs lost since the wildfires, and job growth has been essentially flat over the past six months. This recovery pause suggests that payroll growth may be constrained by flat visitor arrivals.

Over the past year, job growth at the state level has been strongest in state and local government, health care and social assistance, manufacturing, food service, transportation and utilities, and accommodations—each expanding by 2% or more. In contrast, construction, trade, and finance & real estate have lagged behind overall nonfarm payroll growth. Construction, and the finance and real estate sector, have seen 1%-plus growth, while trade sector payrolls have remained flat.

The only sector to experience year-over-year job losses at the state level is the federal government. Since March of last year, federal employment in Hawaii has declined by 700 jobs, about a 2% drop. But, most of the effects of ongoing and anticipated federal workforce reduction efforts have yet to appear in the data. We expect these impacts to begin showing up over the next few months.

The Trump administration's wave of job cuts has caused considerable disruption across various agencies, with about 280,000 planned layoffs of federal workers and contractors announced in just the first quarter. According to Challenger, Gray and Christmas, this is a more than 60-fold increase over the same quarter last year. According to the New York Times, the federal workforce has been reduced by 2% so far, with more cuts to come. Based on national figures, we estimate that federal payrolls in Hawaii could ultimately decline by 6.5%, or about 2,300 jobs. Federal budget cuts are likely to have additional spillover effects on other sectors. The most direct effect may be on federally-funded state and county government jobs. We assess the vulnerability of these jobs in the forecast section below.

The net macroeconomic effect of federal workforce downsizing will be reduced to the extent that some of the reduction will be accomplished through early retirements rather than layoffs. At the same time, laid off workers may struggle to find jobs that match the quality and compensation of the positions being eliminated.

Construction remains strong, but tariffs will add to building costs

Prices in the single-family home market continue to climb. The median price for the state overall rose 7% in the first quarter of 2025, reaching $1.05 million, the highest price ever, when measured in current dollars. Home price appreciation in the condo market has been comparatively sluggish, with median prices down 1.5% in the first quarter. Limited price growth in the condo market can be partially explained by the condo insurance crisis, which has made it much more difficult for condo associations to acquire master policy coverage. Without full building insurance, banks will generally not issue a mortgage on a condo unit, which has weakened demand for condos.

Large projects will continue to support the construction industry. Federal investments in Pearl Harbor, the continuing construction of the Honolulu Skyline rail system, and the planned construction activity at the Aloha Stadium site represent significant projects that entail large expenditures and substantial construction labor. Federal cutbacks could constrain capital investment going forward. The past couple of months have seen a slowdown in new government contracts. However, at least so far, it appears that federal construction at Pearl Harbor will go forward as planned.

Import tariffs on building supplies threaten to add yet another barrier to housing production in the state. The National Association of Home Builders estimates that 7% of construction materials come from foreign sources and that the current tariff actions will increase the cost of building a new home by $7,500-$10,000. Global tariffs on US steel imports have been set at 25%. Steel tariffs may be particularly damaging to single-family home construction in Hawaii, which commonly uses steel-framing, whereas wood framing is more typical in the continental US. Still, lumber tariffs, if they come, will further raise building costs. Appliances and fixtures needed for new home production also face steep cost increases, because production involves complex supply chains, including manufacturing activity in China.

Construction materials comprise a relatively small share of the final price of a new home. But in Hawaii, developers already face steep barriers to housing construction. Raising materials costs by $10,000 per unit could discourage some new projects, unless developers believe they will be able to push these costs onto buyers in higher purchase prices.

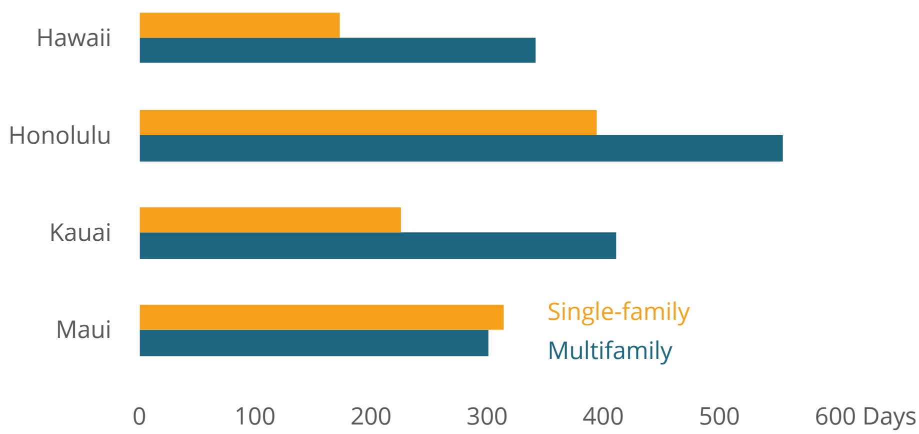
Slow permitting means long lead times

The impact on construction can happen immediately, since builders need to account for the projected future cost of materials when making current investment decisions. And permitting lead times are substantial. Single-family home permits often take a year or more to process, roughly triple the national average. Multifamily developments take longer, although construction on the latter often proceeds before all permits are issued. Price volatility in materials and the possibility of large price increases may push developers to cancel or delay planned construction until they have more certainty about tariffs.

Changes to federal immigration policy are likely to further drive up building costs by reducing the supply of construction labor. The industry is among the largest employers of immigrant labor—both legal and unauthorized. Even if forced removals remain limited, there will be a chilling effect on immigrants who may opt for so-called “self deportations,” or who risk having their social security numbers invalidated. The resulting reductions in labor supply will raise homebuilding labor costs.

MEDIAN PROCESSING TIME FOR PERMITS ISSUED IN 2024

Permit processing times are shown for each housing type in every county.

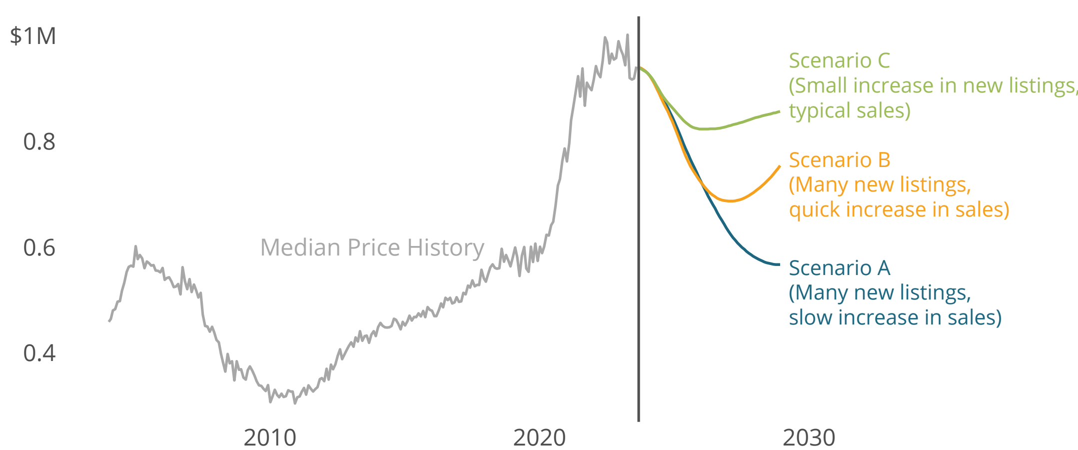


On the demand side of the housing market, the possibility of a US or global recession could lead to falling prices. Local job losses would reduce the pool of potential buyers, pushing down demand. A global downturn could reduce demand from out-of-state buyers. Offshore investment is an important driver of housing transactions, particularly for the Neighbor Island condo markets. Last year, out-of-state condo buyers accounted for 55% of the Kauai market, 59% on Maui and 68% on the Big Island.

Maui County continues to consider whether to phase out 6,000 vacation rental properties in apartment zoned areas, compelling them to convert to other uses. The affected properties make up the so-called "Minatoya List." A recent UHERO report examined the likely consequences of the policy. The study estimated that the policy would raise the general housing supply on Maui by 13%, leading to a 20–40% drop in condo prices and improvements in affordability. (The extent of home price decline will depend on how many current short-term rentals are offered for sale and how rapidly they are purchased.) However, the policy would also reduce visitor accommodations by 25%, visitor days by 32%, and spending by $900 million annually, causing a 3% drop in total jobs and a 4% drop in GDP. Tax revenues from property, excise, and accommodations taxes would fall by up to $75 million annually by 2029. So the County faces a trade-off between improving housing affordability and sustaining the tourism driven economy.

ANTICIPATED IMPACT OF MINATOYA LIST POLICY ON MEDIAN MAUI CONDO PRICE

Potential sales effects are shown based on a recent UHERO report.



THE HAWAII OUTLOOK

The economic outlook for Hawaii has deteriorated since our February report. This is primarily due to the implementation or threat of much larger import tariffs than had been anticipated, as well as the adverse macroeconomic effects of the increased uncertainty related to Trump Administration policies on immigration, federal spending and tax cuts, and other areas. As we noted above, these have already caused sharp declines in surveyed measures of US consumer confidence and have caused a sharp pullback in stock prices. While we are not currently forecasting a US recession, we have trimmed a full 1.4 percentage points off US real GDP growth this year and 1 percentage point off 2026. Global growth projections have also come down.

Hawaii is very exposed to federal policy changes and uncertainties because of our extensive dependence on travel and tourism. Domestic tourism will take a hit from weaker consumer income and confidence. Foreign travel appears poised to decline significantly, at least in the near term, because of worsening macro prospects abroad, concerns about travel disruptions, and worsening attitudes toward the US government. With Hawaii growth already very low, we think the various effects of federal policies and their macroeconomic impacts will tip the local economy into a mild recession by the end of this year.

To be sure, there remains considerable uncertainty about the eventual outcome of the many challenges to Trump Administration policies. A considerable number could ultimately be reversed as illegal or unconstitutional. But in the meantime, the Administration is pressing ahead with broad action on government job cuts, deportation, university grants and contracts, and other areas. That means economic effects will almost certainly be felt for some time—perhaps years—as challenges wend their way through the courts. And the chance that court rulings are simply ignored remains an additional threat.

Outlook undermined by more expansive Trump Administration policies

In our First Quarter UHERO Forecast, we discussed in some detail the various avenues through which Trump Administration and Congressional actions were likely to impact the economy. In the sections below, we present our updated forecast for the Hawaii economy, noting where appropriate how the recent development of federal policy actions, and the evolving economic landscape, affects these projections.

Tariffs will drive up consumer prices

As we discussed above, the Trump Administration imposed massive new tariffs this quarter, including 25% on most imports from Mexico and Canada (with exemptions for USMCA-compliant goods and a 10% rate on energy), prompting retaliation from Canada and the announcement of measures from Mexico. Tariffs on Chinese imports have escalated most dramatically, with most goods now facing a 145% combined rate and some—notably electric vehicles—as high as 245%. China has responded with tariffs of up to 125% on US products.

The high tariffs will have a direct adverse impact on Hawaii residents by raising the prices of goods imported into the US. Some discussions of these impacts have suggested that Hawaii is particularly exposed to tariffs because we “import” so much of what we consume. But it is important to note that the vast majority of our incoming goods arrive from the US mainland and are not subject to tariffs when they enter the state. Only goods originating outside the US face a tariff. In that regard, Hawaii is no different from other states, although we will discuss some important distinctions, below.

Tariffs are import taxes paid by importing companies. US importers typically pass on to consumers a large percentage of the increased import costs. In some cases, such as the extreme tariffs on Chinese goods, this may halt imports entirely, limiting availability as well as raising prices. Higher prices have yet to show up in official measures of consumer prices, either for Honolulu or the nation as a whole, but there is no question that this is coming.

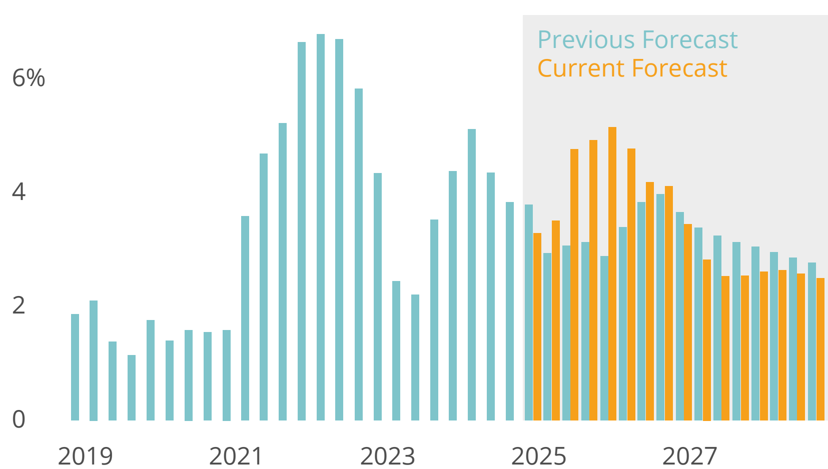
Consumers and importers can attempt to mitigate price increases by choosing US suppliers when available, but US-produced goods will usually come at a higher price. In addition, many US producers depend on imported materials, and equipment—approximately half of all imports fall into these categories—which are also subject to tariffs, further driving up costs for consumers. Importers may attempt to switch to suppliers in countries with lower tariffs to mitigate the impact. Adjusting supply chains takes time and incurs additional expenses for sellers and producers, some portions of which are likely to be transferred to consumers as well. Even while trying to avoid tariffed products, all of these factors will inevitably contribute to higher costs for consumers in Hawaii.

Initially, goods that have generally come from China will be the most affected by tariffs. Key categories of products imported from China include consumer electronics (many of which are temporarily exempt), toys and games, furniture and home goods, clothing and footwear, and some household essentials such as canned food and condiments.

At this point, it is hard to tell if Hawaii will be affected more or less than other states. Compared with the US overall, Hawaii's international imports (including those arriving in shipments via the mainland) are relatively smaller than for many other states, largely because our small local manufacturing sector limits the amount of imported materials. Hawaii's higher cost of living is primarily driven by pricey housing and transportation costs, so the effect of tariffs on **overall** consumer prices could be more muted here than elsewhere. And a factor that may offset some of the upward price pressure

HONOLULU CONSUMER PRICE INFLATION (%)

Large and widespread tariffs will drive Honolulu inflation higher.



is the declining price of oil, which has fallen more than $10 per barrel since early April. Lower oil prices reduce an important input cost for producers and energy costs for consumers.

What does all of this mean for Hawaii consumer prices? We now expect a larger spike in inflation this year and next than we did at the time of our first quarter report. Honolulu inflation averaged 4.4% in 2024, higher than the national average because of a delayed surge in shelter costs. We now expect Honolulu inflation to average more than 4% this year and next, before gradually receding. This is up from the roughly 3.4% pace of our last forecast report.

The inflationary effects of tariff and immigration policies could have broader effects on the macroeconomy. The potential for higher inflation looks likely to cause a longer pause in Federal Reserve interest rate cuts, and if Congressional budget plans lead to higher federal budget deficits, this could result in higher long-term interest rates, regardless of Fed policy. Higher interest rates would adversely affect many businesses and household finances. Higher mortgage rates would further delay the housing market recovery and act as a drag on new home building.

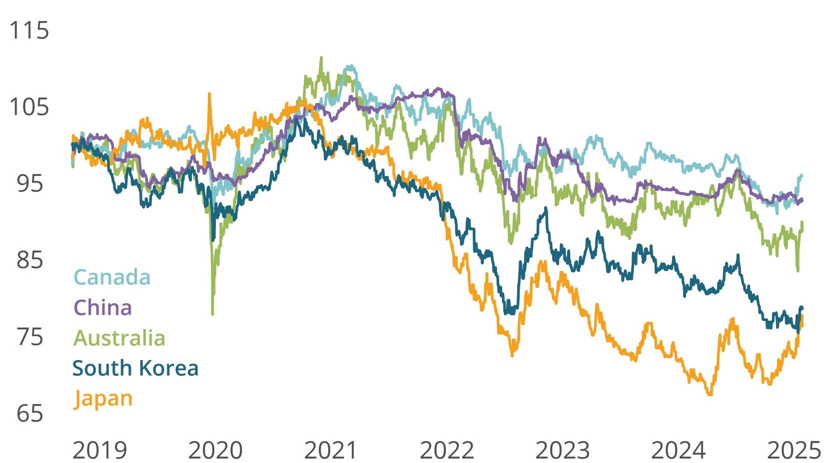
Fear, loathing, and loss will damage Hawaii tourism

The most damaging effect on Hawaii of President Trump's aggressive tariff policies may well be to the visitor industry. This will be felt through several channels: the adverse impact of high tariffs on major source country economies, the discouraging effects of uncertain international visitor regulations and enforcement, and avoidance by travelers who are upset by these and other Administration policies.

Hawaii doesn't export many commodities that would be subject to foreign tariff retaliation. Instead we are a major exporter of tourism services, which are not subject to tariffs or counter-tariffs. That limits our visitor industry exposure to the indirect effects of tariffs. Unfortunately, those could be large.

First, tariffs are likely to reduce incomes of residents in many countries. Canada, our second largest market for international arrivals, is the most exposed because of its tight trade links with the US, and it may well dip into recession. While evidence on impacts so far is mixed, we have noted

VALUE OF SELECT TOURISM MARKET CURRENCIES AGAINST THE US DOLLAR (AS OF APR 24, 2025)
Recent gains in many foreign currencies will partially offset adverse factors.



above the reports of sharp declines in bookings for overall Canadian travel to the US. So we expect a pullback in Canadian visitors over the remainder of this year and next. Both Japan and Korea could face tariffs in the 25% range, depending on the outcome of negotiations. For now, those stand at just 10%. Australia and New Zealand will likely face "only" a 10% levy on their US exports. That means they will face a smaller direct adverse effect, but they are exposed to reduced exports to a tariff-ridden China. And of course the damaging US macroeconomic effects of tariffs and other measures will undercut mainland travel demand as well.

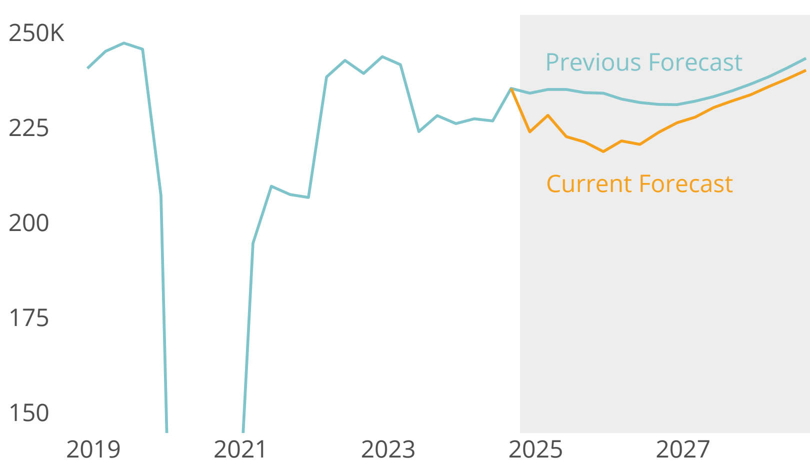
Second, some would-be foreign tourists appear concerned about being delayed or turned away at the US border. Others resist (or resent) the new requirement to declare only male or female gender on entry documents. Indeed, a number of countries have issued travel alerts for the US because of travel concerns. While the alerts vary, the countries affected include Canada, China, Germany, the UK, and some other European countries.

Finally, the range of Trump Administration policies—including trade treatment, but also other measures viewed as antagonistic to foreign interests, alliances, or democratic norms—have turned sentiment by some foreign residents sharply against the US. Attitudes appear to have deteriorated most sharply in Canada, where boycott efforts on US goods and "buy local" campaigns are popular. It may be many years before such reputational damage can be rebuilt.

The deterrent effect of these developments is already evident in the net shift from positive to negative growth for US visits from many foreign markets.

Two factors could provide partially offsetting support. One is the recent marked weakening of the US dollar. On a visitor-market-weighted basis, the dollar has shed more than 7% of its value since mid-January. With the exception of Canada and China, many foreign currencies still remain considerably weaker than they were prior to the pandemic. Their path forward is very uncertain. The dollar might continue to lose value if expectations of US economic performance and creditworthiness continue to deteriorate. But the values of foreign currencies could easily reverse if foreign central banks cut interest rates more rapidly than the US Federal Reserve. From Hawaii's perspective, further yen appreciation is a particularly tantalizing possibility.

VISITOR CENSUS
Hawaii's main export will be hit by the indirect effects of tariffs.



The other potentially dampening factor is the possibility of US income and spending support that could come from federal fiscal stimulus, most likely in the form of tax cuts but perhaps also some new federal outlays. As we discussed above, Congress has kicked the can down the road by extending current tax and spending levels through September, with only a broad outline of what may come next. It therefore remains unclear whether tax cut stimulus will be big enough to offset the drag from spending cuts, tariffs, and deportations.

Not a pretty tourism picture

Overall, this is not a pretty picture for Hawaii's visitor industry. Given the broader extent of disruptive federal policy changes, increased uncertainty, and adverse foreign traveler response, we have significantly reduced our tourism outlook for 2025-2026. We now expect arrivals to fall 4% over the next two years, a drop of 400,000 visitors. This compares with the greater-than-2% growth that we forecast in the first quarter. Average daily census will decline by slightly less. Visitor numbers will return to a modest growth path by 2027. Over 2025-2026, the pace of decline will be biggest on the international front, with Japanese arrivals falling by more than 6% this year, before stabilizing in 2026. Other international arrivals will fall by nearly 10% over the next two years and will not recover to 2024 levels until the end of the decade. US arrivals will decline 3% by 2026, with downside risk should a recession develop. Total visitor arrivals will not reclaim their 2024 level until 2028.

Every county is vulnerable to the anticipated decline in travel demand due to the global nature of the shock. The pullback in Canadian travel will have an outsized impact on Maui, which in 2023 hosted more Canadian visitor days than any other county. The decline in Japanese and other international arrivals will have the biggest effect on Honolulu and Hawaii counties, while the downturn in domestic trips will affect Kauai the most. Although the falling average daily census will stabilize by the end of next year, none of the counties will reclaim their post-pandemic highs before 2028.

Visitor spending will also suffer: real visitor expenditures will fall $1.6 billion over the 2025-2026 period, on the heels of a nearly $1 billion decline last year. Spending will not fully recover until the end of the forecast period.

While occupancy rates have not yet recovered to their pre-pandemic levels—in fact they hover below their 2022 post-pandemic peak—the decline in visitor numbers will further depress capacity utilization. Occupancy rates will hold steady on Maui, where they have made only partial progress since the fires, and they will decline in all other counties. The state's average occupancy rate will not rise above 70% until 2028.

A shifting labor market outlook

Although it feels like the distant past, the start of this year extended a period of relatively healthy Hawaii job gains, which will be sufficient to prevent a dismal reading for 2025. But as the year progresses, total nonfarm payrolls will begin to shrink, leading to an annual decline of nearly 1% in 2026. These net losses will be largest in the areas directly affected by federal policy—the public sector and visitor industries—but employment in all industries will shrink or slow. Construction will remain a sector of relative health, but it is poised to begin shedding jobs by 2027 as the industry moves beyond its cyclical peak.

Federal funding cuts and layoffs will reduce Hawaii payrolls

As we have noted, federal layoffs have yet to show up as a large drop in measured payroll employment and, to the extent that some firing threats result in early retirements, the unemployment effects may be more muted than at first glance. Hawaii's federal workforce is likely more insulated than other states because of the large share of active duty military, which may be less likely to face cuts. Still, we expect that ultimately there will be a net decline in the state's federal payrolls of about 2,300 persons.

We also face significant indirect employment exposure because of announced or potential cuts to federal programs that support state jobs. In the box, "How vulnerable is Hawaii public sector employment to federal cuts?", we report the number of state and local jobs that are federally funded, and we discuss where vulnerabilities appear greatest. Potential job losses are likely to be concentrated in a few key Departments, even if overall layoffs may not be as large as some fear.

Cancellation of federal grants and contracts with the University of Hawaii and with private nonprofits serving the local community will result in additional job losses, even if the scope and scale of such cuts remain unknown.

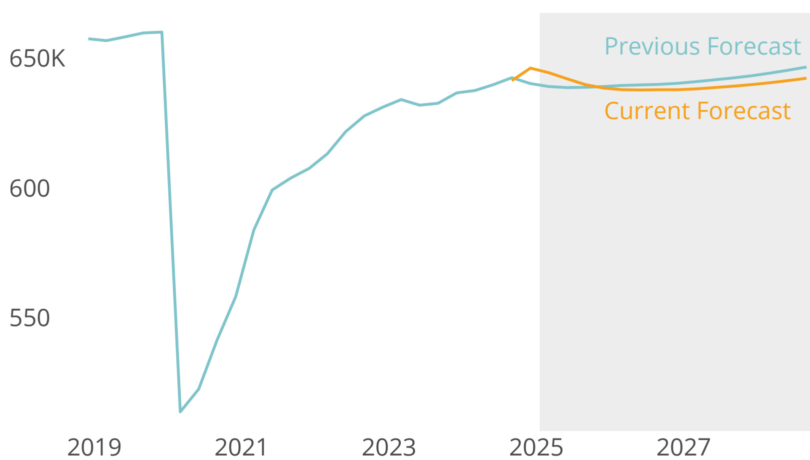
Job losses will be widespread

The local economic impact of federal policy changes will extend beyond public sector job losses. Excluding the active duty military, federal spending makes up 5% of Hawaii's GDP, so a reduction in federal spending will have significant follow-on effects. And the same fear and uncertainty that are in play at the national level will also weigh on the spending of Hawaii residents. So employment in many sectors will be affected.

Construction will continue to operate at a high level—for now—as we will discuss below. Tourism-related industries will post moderate job growth for this year as a whole, largely on the strength of gains already in the books. There will be considerable variation across counties. During the 2025-2026 period, accommodation and food service jobs will fall by more than 1% in Honolulu, the county most exposed to international travel. On the Neighbor Islands, this year's moderate industry job gains will be mostly reversed in 2026. By the end of 2026, trade jobs will decline by about a half-percent

HAWAII NONFARM PAYROLL JOBS

A widespread economic slowdown will weigh on the labor market.



HOW VULNERABLE IS HAWAII PUBLIC SECTOR EMPLOYMENT TO FEDERAL CUTS?

Planned federal layoffs will reduce the size of Hawaii's federal workforce. But federal spending cuts also threaten many jobs in state and local government that are federally funded. Here we take a look at the extent of direct federal exposure and state and local vulnerability.

Direct Federal Employment

To estimate the vulnerability of Hawaii's federal civilian workforce, we reconcile multiple official data sources to get a local headcount for each federal department and independent agency. Based on current federal workforce policy guidance for each entity, and assuming local cuts that are proportional to national cuts, we estimate a loss of approximately 2,300 positions, or 6.5% of Hawaii's 35,500 civilian federal employees.

More than two-thirds of local federal civilian employees are in defense, which the administration has proposed to cut by 6%. By headcount, the most affected agencies outside the military are the Veterans Administration, projected to lose 462 employees (17%), and Commerce with a projected loss of 104 (19%). Sharp percentage layoffs at agencies with small local footprints like SBA, IRS, GSA, and HHS total only 71 jobs, but these cuts may still disrupt contracts and public services. No reductions are currently projected for the state's 53,000 active duty, reserve, and National Guard personnel, and very few at civilian agencies with large local workforces, including the US Postal Service (1,400 employees), USDA (1,000), and Interior (800).

Federally-funded State Employees

To assess vulnerability of state government positions to federal cuts, we parse FY2026 budget worksheets by source of funds and organize departments into policy risk categories of Low, Medium, and High, based on federal executive orders and policy statements. The State of Hawaii has 3,376 federally-funded employees (FFEs), 7% of all executive branch positions (excluding UH extramural research funding). Eighty percent of FFEs are in departments with high policy risk. See the table for details.

About seven in ten are located in just three departments: Human Services (DHS), Education (DOE), and Health (DOH). These departments also have high policy risk scores:

- DHS (1,053 FFEs) administers federal social spending, which is slated for significant reductions.
- DOE (867 FFEs) administers federal education spending, with the US Department of Education already largely eliminated by executive order.
- DOH (469 FFEs) administers federal public health spending, with many pandemic preparedness and other grants already cancelled by the US Department of Health and Human Services.

Federally-funded County Employees

As with state government, federal funds and federally-funded jobs in county governments are heavily concentrated within a few program areas, according to their FY2026 budget materials: housing, human services, transportation, and public health. At this time, personnel data is only available for Honolulu and Maui counties.

Honolulu County relies on federal funds for only 199 (1.8%) of its more than 11,000 employees. Of these, 165 are in the Department of Community Services, two-thirds of its 245 staff members. These employees administer fully-federally-funded rental assistance, elder care, and workforce development programs. Turmoil in the administering agencies (US Housing and Urban Development and the Administration for Children and Families) suggests high policy risk.

Federally-funded State Jobs by Department

Dept.	Federally Funded Jobs	Total Jobs	Fed-funded Share of State Jobs (%)	Policy Risk
DHS	1,053	2,410	44	High
DOE	867	23,300	4	High
DOH	469	6,222	8	High
DLIR	356	605	59	Medium
DOD	236	504	47	Medium
AGN	166	785	21	High
UH*	85	5,060	2	High
DLNR	64	1,149	6	High
All Others	80	9,451	<1	Low-Medium
Total	**3,376**	**49,486**	**7**	

* Does not include extramural research funding from federal agencies

Maui County relies on federal funds for 118 (3.8%) of its 3,118 employees, more than twice the share of Honolulu. These employees are also more widely distributed across the county government: only about half (58) work in housing or human services, while another 17 each work in finance and fire & public safety. This may represent continued infusions of federal funding for Maui wildfire recovery. Though the Maui County Emergency Management Agency (MEMA) does not employ any FFEs, it receives 97% ($104M) of its operating budget from federal sources, and therefore represents a unique fiscal risk.

Conclusion

Hawaii's public sector employment is vulnerable to federal cuts, with the greatest exposure concentrated in direct federal employment. Projected layoffs could eliminate about 2,300 federal civilian jobs—roughly 6.5% of the federal civilian workforce in the state—with particularly large impacts in civilian defense and veterans services. While federally funded positions in state and county governments represent a smaller share of total public employment, they remain exposed in key service areas such as education, health, housing, and human services.

in Honolulu, but by twice that on the Neighbor Islands. Payrolls in these tourism-related industries will stabilize in 2027, but the recovery of losses will take well into 2028.

Maui's post-fire recovery will come to a standstill, with the level of nonfarm payrolls in 2026 essentially matching that in 2024. The recovery pause will be widespread across all sectors, including the large accommodation and food service and trade industries. It will take until 2029 to recover to pre-fire employment levels. The other three counties will also experience an extended period with little job growth, with payrolls in 2027 not much different than last year's level.

Construction's days as a growth support are numbered

The Hawaii construction industry is in a period of cyclical strength. As we have noted in the past, this construction surge has reflected both an enormous volume of government projects and ongoing residential building. And Maui rebuilding is adding to the mix. While construction activity will remain at a high level for some time to come, the sector will soon begin to gradually shed jobs as we slide down the other side of the construction cycle. Federal policy shifts will add to the downward drift. Higher tariffs will add to construction costs, with upside risk if lumber is included in goods subject to import taxes.

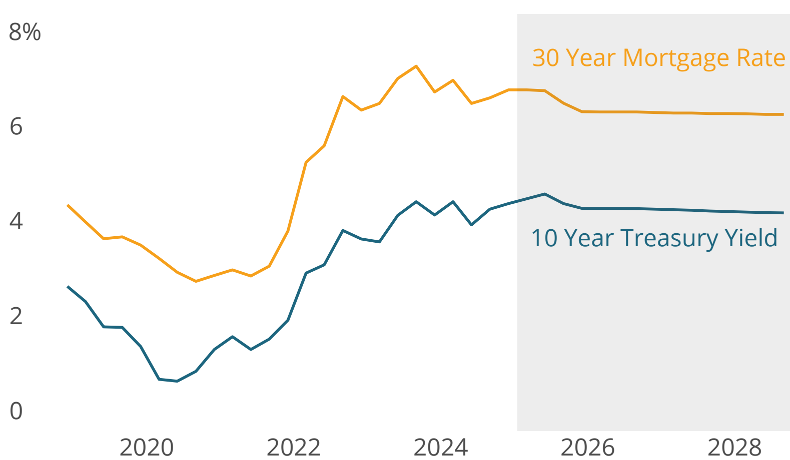
Construction employment in the Isles will peak next year at about 39,500 workers, up from fewer than 37,000 in 2020. The cycle will begin to ebb in 2027, but the downward drift will be relatively slow. There will still be more than 37,000 employed construction workers in 2029.

Long-term interest rates have been volatile over the past year. Recently, they rose following Congress's passing of budget plans that looks to significantly increase federal debt, and they soared after the Administration's tariff announcement. Rates have decreased slightly since, with the ten-year Treasury bond yielding about 4.3% on April 25. Ten-year interest rates are an important determinant of mortgage rates, which averaged just over 6.8% for the seven days ending April 24.

With economic slowing in the pipeline, rates will be expected to recede somewhat, although higher expected inflation may push in the opposite direction. As the Federal Reserve begins cutting short-term interest rates later this year, this will help to pull rates down gradually. The bottom line is that in this forecast, we are projecting slightly lower rates than in our last forecast. We see the 30-year mortgage rate averaging 6.7% for this year as a whole, dropping to 6.3% in 2026. Rates will remain in this range through the end of the decade. A downside risk of course is a recession and more dramatic Fed action, while fiscal policy that worsens the federal deficit outlook is a significant upside risk for borrowing costs.

The persistent high interest rates will weigh on resale activity in the near term, but Hawaii's housing shortage will nevertheless support residential construction in coming years. Overall, we expect total commitments to

PROJECTED YIELD ON 10-YEAR TREASURY BONDS AND CONVENTIONAL 30-YEAR MORTGAGE RATE
Inflation and budget deficits will likely keep mortgage rates high.



build—a broad measure of industry activity—to peak this year but to take a substantial hit in 2026 because of a fall in new government contracts awarded. A more gradual decline in permits will continue thereafter, so that the total value of permits falls about $1.5 billion below its current level by 2029.

Hawaii is now headed for a mild recession

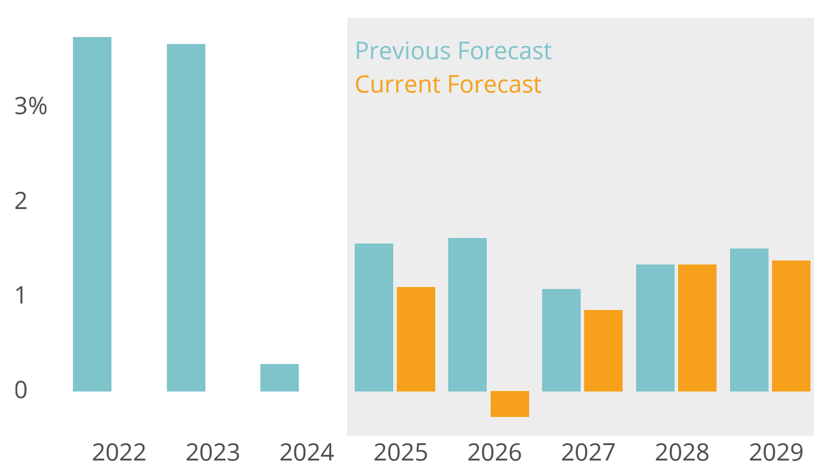
Hawaii saw moderate overall growth in 2024. The number of payroll jobs expanded by 1%, and average hourly earnings gains outpaced the rate of inflation, lifting the overall real purchasing power of the typical Hawaii resident. Real gross domestic product—our broadest measure of economic activity—edged up a half-percent.

Because of the wide range of federal policy impacts we have discussed in this report, growth for the next three years will come in below our previous forecast. There will be essentially no job growth over this period. Real GDP will increase by just over 1% in 2025, compared with a forecast of 1.6% in our first quarter report, and it will decline modestly in 2026—a mild Hawaii recession. Real GDP growth will average less than 0.6% over the next three years.

Personal income will benefit from state and federal tax cuts, but, like employment, it will be pulled down by adverse federal policy impacts. Real income growth will decelerate to less than a half-percent average annual pace for the next three years. With little change in population over the forecast period, real per capita income will follow a similar pattern.

While the focus of this report is necessarily on the near-term consequences of the extensive federal policy shifts, it is worth noting again the backdrop against which these changes are occurring. As we have written in the past, Hawaii has moved onto a slower growth path than in the past, with population and labor force growth slowing and our society continuing to age at a more rapid pace. Further trend slowing will occur in future years as these forces deepen, varying to some extent across the counties. These demographic constraints will pose challenges for business hiring and public finances.

HAWAII REAL GDP GROWTH
Expansive Trump policies have reduced our near-term growth forecast.



Forecasting in a time of extreme uncertainty

This is our first report in the current slowing cycle to forecast a recession for Hawaii. The downward revisions since our last report are due to the larger-than-expected imposed and threatened import tariffs, associated foreign retaliation, heightened volatility surrounding federal policies, and the sharp drop in US consumer and business sentiment. This means a poorer US and global environment for Hawaii tourism, as well as adverse effects on local spending.

It should go without saying that these developments have created a situation of extreme uncertainty. This makes it extraordinarily challenging to produce a forecast for the US and global economies with high confidence, and the same is true for our Hawaii outlook. Put simply, our current view of the most likely outlook could prove to be either much too optimistic or pessimistic when all is said and done.

The fact that there are upside as well as downside risks is important to emphasize. The downside ones are by now familiar: If tariffs are imposed and sustained at high rates across many countries, that will further undermine the business environment, investment, and consumption. If inflation spikes more than expected, the Federal Reserve may be prevented from providing sufficiently rapid interest rate cuts to avoid a US recession because of concerns about fueling high long-term inflationary momentum. These extensive downside risks remain a primary concern.

But things could turn out better than we expect. The bedrock of the US economy—its consumers—have proven much more resilient than many expected, considering the decline in built-up savings and labor market softening. And American businesses, while clearly shaken by tariffs and shifting policy sands, may become more willing to make investment commitments if bilateral trade deals result in much smaller actual tariff increases than feared, and if the overall policy environment settles. In this case, there would be smaller inflationary effects, which would free the Fed's hand in providing any needed stimulus. The economic position of both consumers and businesses may be improved if supportive federal budget measures are enacted.

Even if external conditions worsen, the pullback of leisure travel—particularly by international visitors—could be less severe than we expect. One reason is that at this point we are mostly reliant on "soft" data on tourism. Some of this is based on reported overall foreign visitor plans, others on information on bookings, which the short booking window suggests could turn upward if conditions improve, or if some travelers view Hawaii as somewhat separate from the US overall. That could create a less dire outcome for the visitor industry than we currently expect.

The uncertainty around our Hawaii forecast, while unavoidable, will be unsettling to some. Certainly, it is to us. We will be tracking developments closely in coming months, hoping that greater clarity will emerge before too long. And hoping that things settle in a way that results in a better outcome for the US and Hawaii.

In closing, we think it is essential to note an element of the developing policy environment that does not show up fully in a macroeconomic forecast. That is the adverse impact on critical public services that may result from the wide-ranging employment and administrative reshuffling that is occurring at the federal level. Cuts to programs such as Medicaid or reduced access to some federal services, such as VA programs, and possible disruptions to vital federal payments such as Social Security and Medicare, will impose personal and family challenges that go beyond the very visible job layoffs and other actions that dominate the news.

TABLE 1: MAJOR ECONOMIC INDICATORS

STATE OF HAWAII FORECAST

	2023	2024	2025	2026	2027
MAJOR INDICATORS					
Nonfarm Payrolls (Thou)	632.6	638.8	**643.7**	638.6	639.0
% Change	2.4	1.0	**0.8**	−0.8	0.1
Unemployment Rate (%)	2.9	3.0	**3.1**	3.6	3.7
Population (Thou)	1,441.4	1,446.2	**1,446.3**	1,445.1	1,444.0
% Change	0.1	0.3	**0.0**	−0.1	−0.1
Nominal Personal Income (Mil $)	94,968.3	100,533.6	**105,629.9**	110,249.9	114,123.9
% Change	5.5	5.9	**5.1**	4.4	3.5
Inflation Rate, Honolulu MSA (%)	3.1	4.4	**4.1**	4.6	2.8
Real GDP (Mil 2024$)	115,084.8	115,627.2	**116,903.1**	116,589.9	117,594.9
% Change	3.7	0.5	**1.1**	−0.3	0.9
Real Personal Income (Mil 2024$)	99,118.2	100,533.6	**101,439.0**	101,262.4	101,931.0
% Change	2.3	1.4	**0.9**	−0.2	0.7
Real Per Capita Income (Thou 2024$)	68.7	69.5	**70.1**	70.0	70.5
% Change	2.3	1.2	**0.8**	−0.1	0.7
TOURISM SECTOR DETAIL					
Total Visitor Arrivals by Air (Thou)	9,657.6	9,685.0	**9,469.7**	9,287.9	9,531.8
% Change	4.6	0.3	**−2.2**	−1.9	2.6
U.S. Visitors	7,425.3	7,330.1	**7,297.5**	7,109.4	7,221.9
% Change	−4.0	−1.3	**−0.4**	−2.6	1.6
Japanese Visitors	590.0	720.4	**673.9**	701.7	779.5
% Change	205.4	22.1	**−6.5**	4.1	11.1
Other Visitors	1,642.3	1,634.5	**1,498.3**	1,476.8	1,530.3
% Change	26.1	−0.5	**−8.3**	−1.4	3.6
Average Daily Census (Thou)	234.8	229.3	**224.4**	221.5	229.5
% Change	1.1	−2.3	**−2.1**	−1.3	3.6
Average Daily Room Rate ($)	377.4	364.2	**359.6**	352.4	356.2
% Change	1.8	−3.5	**−1.3**	−2.0	1.1
Occupancy Rate (%)	69.5	68.7	**67.3**	66.4	68.8
Real Visitor Expenditures (Mil 2024$)	20,670.3	19,716.1	**18,581.3**	18,120.3	18,462.2
% Change	2.1	−4.6	**−5.8**	−2.5	1.9

Note: Source is UHERO. Occupancy rate includes UHERO's estimate of TVR occupancy. Figures for 2025-2029 are forecasts.

TABLE 2: JOBS BY INDUSTRY

STATE OF HAWAII FORECAST

	2023	2024	2025	2026	2027
Nonfarm Payrolls (Thou)	632.6	638.8	**643.7**	638.6	639.0
% Change	2.4	1.0	**0.8**	−0.8	0.1
Construction and Mining	38.1	39.0	**39.5**	39.5	38.9
% Change	2.6	2.4	**1.1**	0.1	−1.5
Manufacturing	12.7	12.8	**13.0**	13.1	13.2
% Change	0.9	0.6	**1.6**	0.9	1.0
Trade	82.7	82.0	**82.0**	81.5	81.7
% Change	0.7	−0.9	**0.1**	−0.7	0.2
Transportation and Utilities	34.4	34.4	**34.6**	33.8	34.0
% Change	4.1	0.0	**0.5**	−2.2	0.4
Finance, Insurance and Real Estate	27.8	27.2	**27.3**	27.3	27.3
% Change	−0.1	−1.9	**0.3**	−0.2	0.0
Services	313.9	317.9	**321.1**	319.1	320.1
% Change	3.1	1.3	**1.0**	−0.6	0.3
Health Care and Soc. Assistance	74.2	75.5	**77.2**	76.8	77.4
% Change	2.3	1.8	**2.2**	−0.4	0.7
Accommodation and Food	105.5	106.6	**107.3**	106.1	106.6
% Change	5.3	1.0	**0.7**	−1.1	0.5
Other	134.2	135.8	**136.6**	136.1	136.0
% Change	1.8	1.2	**0.6**	−0.3	−0.1
Government	123.0	125.5	**126.2**	124.2	123.9
% Change	1.8	2.0	**0.6**	−1.6	−0.3
Federal Government	35.1	35.6	**34.2**	33.4	33.2
% Change	1.3	1.4	**−3.8**	−2.6	−0.6
State and Local Government	87.9	89.9	**92.0**	90.9	90.7
% Change	2.1	2.3	**2.4**	−1.2	−0.2

Note: Source is UHERO. Figures for 2025-2029 are forecasts.

TABLE 3: PERSONAL INCOME BY INDUSTRY

STATE OF HAWAII FORECAST

	2023	2024	2025	2026	2027
Real Personal Income (Mil 2024$)	99,118.2	100,533.6	**101,439.0**	101,262.4	101,931.0
% Change	2.3	1.4	**0.9**	−0.2	0.7
Labor & Proprietors' Income	68,965.1	70,581.1	**71,466.3**	70,884.4	71,051.1
% Change	3.6	2.3	**1.2**	−0.8	0.2
Construction and Mining	5,194.8	5,455.5	**5,507.9**	5,537.9	5,481.9
% Change	3.7	5.0	**1.0**	0.5	−1.0
Manufacturing	1,072.6	1,105.0	**1,114.5**	1,114.5	1,125.1
% Change	1.8	3.0	**0.9**	0.0	0.9
Trade	5,503.0	5,487.2	**5,538.7**	5,498.9	5,523.3
% Change	3.1	−0.3	**0.9**	−0.7	0.4
Transportation and Utilities	4,153.4	4,151.2	**4,231.5**	4,128.0	4,166.2
% Change	8.8	−0.1	**1.9**	−2.5	0.9
Finance, Insurance & Real Estate	5,112.8	4,973.7	**5,077.3**	5,063.4	5,047.1
% Change	−1.3	−2.7	**2.1**	−0.3	−0.3
Services	28,561.7	28,971.0	**29,164.6**	29,085.8	29,341.4
% Change	4.2	1.4	**0.7**	−0.3	0.9
Health Care & Soc. Assist. (% ch.)	3.5	1.8	**1.9**	0.3	1.3
Accommodation & Food (% ch.)	8.3	0.8	**0.0**	−1.5	1.1
Other (% ch.)	2.8	1.5	**0.3**	0.0	0.6
Government	18,992.6	20,078.2	**20,459.6**	20,081.7	19,989.1
% Change	3.5	5.7	**1.9**	−1.9	−0.5
Federal, civilian (% ch.)	3.8	1.7	**−2.1**	−2.6	−1.2
State & Local (% ch.)	2.1	9.3	**4.3**	−3.1	−1.1
Less Social Security Taxes (-)	8,455.0	8,541.1	**8,647.9**	8,577.5	8,597.6
% Change	8.3	1.0	**1.2**	−0.8	0.2
Transfer Payments	18,249.8	18,337.1	**18,551.6**	18,968.5	19,399.4
% Change	−3.6	0.5	**1.2**	2.2	2.3
Dividends, Interest and Rent	20,361.4	20,159.5	**20,072.1**	19,990.2	20,081.2
% Change	5.8	−1.0	**−0.4**	−0.4	0.5
Population (Thou)	1,441.4	1,446.2	**1,446.3**	1,445.1	1,444.0
% Change	0.1	0.3	**0.0**	−0.1	−0.1
Real Per Capita Income (Thou 2024$)	68.7	69.5	**70.1**	70.0	70.5
% Change	2.3	1.2	**0.8**	−0.1	0.7
Inflation Rate, Honolulu MSA (%)	3.1	4.4	**4.1**	4.6	2.8
Nominal Personal Income (Mil $)	94,968.3	100,533.6	**105,629.9**	110,249.9	114,123.9
% Change	5.5	5.9	**5.1**	4.4	3.5

Note: Source is UHERO. Figures for 2025-2029 are forecasts.

TABLE 4: CONSTRUCTION INDICATORS

STATE OF HAWAII FORECAST

	2023	2024	2025	2026	2027
BUILDING PERMITS					
Total Commitments to Build (Mil 2024$)	8,017.9	8,445.4	**8,596.7**	7,870.4	7,602.2
% Change	10.6	5.3	**1.8**	−8.4	−3.4
Private Building Permits	3,798.3	4,971.5	**4,761.3**	4,714.4	4,601.3
% Change	−1.3	30.9	**−4.2**	−1.0	−2.4
Residential Building Permits	1,580.7	2,240.0	**2,195.4**	2,188.4	2,251.5
% Change	−16.5	41.7	**−2.0**	−0.3	2.9
Non-Residential Building Permits	2,217.6	2,731.6	**2,565.9**	2,526.0	2,349.9
% Change	13.4	23.2	**−6.1**	−1.6	−7.0
Government Contracts Awarded	4,219.6	3,473.9	**3,835.3**	3,156.0	3,000.9
% Change	24.0	−17.7	**10.4**	−17.7	−4.9
CONSTRUCTION ACTIVITY					
Real Contracting Tax Base (Mil 2024$)	12,232.0	13,917.5	**13,743.9**	12,977.6	12,507.3
% Change	5.3	13.8	**−1.2**	−5.6	−3.6
Nominal Contracting Tax Base (Mil $)	11,809.9	13,917.5	**14,660.8**	14,539.1	14,489.6
% Change	9.3	17.9	**5.3**	−0.8	−0.3
Construction and Mining Jobs (Thou)	38.1	39.0	**39.5**	39.5	38.9
% Change	2.6	2.4	**1.1**	0.1	−1.5
Real Construction Income (Mil 2024$)	5,194.8	5,455.5	**5,507.9**	5,537.9	5,481.9
% Change	3.7	5.0	**1.0**	0.5	−1.0
PRICES AND COSTS (HONOLULU)					
Median Home Price (Thou $)	1,055.5	1,100.0	**1,147.8**	1,150.3	1,166.2
% Change	−4.5	4.2	**4.3**	0.2	1.4
Median Condo Price (Thou $)	508.0	513.7	**512.6**	517.8	523.2
% Change	0.3	1.1	**−0.2**	1.0	1.0
Honolulu Housing Affordability Index	53.6	55.8	**55.4**	60.0	61.2
% Change	−5.9	4.1	**−0.7**	8.3	2.0
Construction Cost Index (2024=100)	96.5	100.0	**106.7**	112.0	115.8
% Change	3.8	3.6	**6.7**	5.0	3.4
30-Year Mortgage Rate (%)	6.8	6.7	**6.7**	6.3	6.3

Note: Source is UHERO. Figures for 2025-2029 are forecasts. Commitments to Build are the sum of private permits and public contracts awarded. Permits and tax base are deflated by Honolulu Construction Cost Index. Figures for Total Commitments to Build and Real Government Contracts Awarded for 2023 and 2024 are UHERO estimates. Income is deflated by Honolulu CPI. Housing affordability index is the ratio of median family income to qualifying income for a loan for the median-priced home (times 100).

TABLE 5: MAJOR ECONOMIC INDICATORS

HONOLULU COUNTY FORECAST

	2023	2024	2025	2026	2027
MAJOR INDICATORS					
Nonfarm Payrolls (Thou)	455.7	460.6	**463.8**	460.0	460.3
% Change	2.5	1.1	**0.7**	−0.8	0.1
Unemployment Rate (%)	2.6	2.7	**2.9**	3.5	3.6
Population (Thou)	993.7	998.1	**997.7**	996.2	994.9
% Change	−0.2	0.5	**0.0**	−0.1	−0.1
Nominal Personal Income (Mil $)	69,152.7	72,992.9	**76,570.3**	80,030.0	82,841.6
% Change	5.8	5.5	**4.9**	4.5	3.5
Inflation Rate, Honolulu MSA (%)	3.1	4.4	**4.1**	4.6	2.8
Real Personal Income (Mil 2024$)	72,174.5	72,992.9	**73,532.4**	73,506.1	73,990.9
% Change	2.6	1.1	**0.7**	0.0	0.7
Real Per Capita Income (Thou 2024$)	72.6	73.1	**73.7**	73.8	74.4
% Change	2.8	0.7	**0.8**	0.1	0.8
TOURISM SECTOR DETAIL					
Total Visitor Arrivals by Air (Thou)	5,613.4	5,816.2	**5,650.4**	5,555.4	5,698.1
% Change	15.6	3.6	**−2.9**	−1.7	2.6
U.S. Visitors	3,921.6	3,955.2	**3,918.7**	3,811.5	3,839.9
% Change	2.4	0.9	**−0.9**	−2.7	0.8
Japanese Visitors	574.0	704.8	**664.1**	694.7	773.4
% Change	208.4	22.8	**−5.8**	4.6	11.3
Other Visitors	1,117.9	1,156.1	**1,067.6**	1,049.2	1,084.8
% Change	32.8	3.4	**−7.7**	−1.7	3.4
Average Daily Census (Thou)	111.0	112.4	**109.6**	107.0	109.3
% Change	12.1	1.2	**−2.5**	−2.4	2.1
Occupancy Rate (%)	76.7	77.2	**75.5**	74.0	75.8

Note: Source is UHERO. Income figures for 2024 are UHERO estimates. Occupancy rate includes UHERO's estimate of TVR occupancy. Figures for 2025-2029 are forecasts.

TABLE 6: JOBS BY INDUSTRY

HONOLULU COUNTY FORECAST

	2023	2024	2025	2026	2027
Nonfarm Payrolls (Thou)	455.7	460.6	**463.8**	460.0	460.3
% Change	2.5	1.1	**0.7**	−0.8	0.1
Construction and Mining	27.4	28.1	**28.4**	28.5	28.1
% Change	2.5	2.5	**1.2**	0.2	−1.2
Manufacturing	9.3	9.4	**9.6**	9.7	9.8
% Change	0.7	1.4	**1.9**	1.0	1.2
Trade	56.1	55.7	**55.7**	55.4	55.5
% Change	0.1	−0.8	**0.1**	−0.6	0.3
Transportation and Utilities	25.3	24.9	**25.1**	24.6	24.6
% Change	5.2	−1.5	**1.0**	−2.3	0.4
Finance, Insurance and Real Estate	21.2	20.8	**20.9**	20.8	20.8
% Change	−0.2	−2.2	**0.4**	−0.2	−0.1
Services	221.7	225.2	**227.0**	225.7	226.3
% Change	3.5	1.5	**0.8**	−0.6	0.3
Health Care and Soc. Assistance	55.9	56.6	**58.2**	57.9	58.3
% Change	2.4	1.4	**2.8**	−0.5	0.7
Accommodation and Food	63.4	64.7	**64.7**	63.9	64.2
% Change	6.8	2.1	**0.0**	−1.2	0.5
Other	102.5	103.8	**104.1**	103.8	103.8
% Change	2.2	1.3	**0.3**	−0.3	−0.1
Government	94.6	96.6	**97.0**	95.4	95.1
% Change	1.9	2.0	**0.5**	−1.6	−0.3
Federal Government	32.3	32.7	**31.5**	30.7	30.5
% Change	1.4	1.4	**−3.8**	−2.5	−0.6
State and Local Government	62.4	63.8	**65.5**	64.7	64.6
% Change	2.1	2.4	**2.6**	−1.2	−0.2

Note: Source is UHERO. Figures for 2025-2029 are forecasts.

TABLE 7: PERSONAL INCOME BY INDUSTRY

HONOLULU COUNTY FORECAST

	2023	2024	2025	2026	2027
Real Personal Income (Mil 2024$)	72,174.5	72,992.9	**73,532.4**	73,506.1	73,990.9
% Change	2.6	1.1	**0.7**	0.0	0.7
Labor & Proprietors' Income	52,004.6	53,043.9	**53,745.1**	53,349.4	53,505.8
% Change	3.9	2.0	**1.3**	−0.7	0.3
Construction and Mining	3,745.4	3,934.9	**3,978.9**	4,000.4	3,973.1
% Change	3.9	5.1	**1.1**	0.5	−0.7
Manufacturing	820.6	832.8	**841.8**	848.0	857.1
% Change	1.9	1.5	**1.1**	0.7	1.1
Trade	3,814.6	3,810.6	**3,845.9**	3,823.2	3,837.3
% Change	2.6	−0.1	**0.9**	−0.6	0.4
Transportation and Utilities	3,289.3	3,245.3	**3,325.8**	3,240.7	3,275.2
% Change	10.4	−1.3	**2.5**	−2.6	1.1
Finance, Insurance & Real Estate	3,762.9	3,643.6	**3,719.4**	3,713.3	3,702.4
% Change	−1.1	−3.2	**2.1**	−0.2	−0.3
Services	20,432.0	20,596.4	**20,744.0**	20,725.5	20,928.2
% Change	4.5	0.8	**0.7**	−0.1	1.0
Health Care & Soc. Assist. (% ch.)	3.8	1.4	**2.5**	0.2	1.3
Accommodation & Food (% ch.)	11.4	2.0	**−0.8**	−1.5	1.1
Other (% ch.)	2.7	0.0	**0.3**	0.3	0.8
Government	16,011.2	16,856.1	**17,167.5**	16,876.1	16,809.9
% Change	3.7	5.3	**1.9**	−1.7	−0.4
Federal, civilian (% ch.)	3.8	1.7	**−2.1**	−2.5	−1.2
State & Local (% ch.)	1.9	9.3	**4.9**	−3.3	−1.1
Less Social Security Taxes (-)	6,371.2	6,498.5	**6,584.4**	6,536.0	6,555.1
% Change	8.0	2.0	**1.3**	−0.7	0.3
Transfer Payments	12,086.6	12,148.7	**12,285.5**	12,565.0	12,852.3
% Change	−3.8	0.5	**1.1**	2.3	2.3
Dividends, Interest and Rent	14,512.1	14,365.2	**14,307.9**	14,263.9	14,325.5
% Change	5.8	−1.0	**−0.4**	−0.3	0.4
Population (Thou)	993.7	998.1	**997.7**	996.2	994.9
% Change	−0.2	0.5	**0.0**	−0.1	−0.1
Real Per Capita Income (Thou 2024$)	72.6	73.1	**73.7**	73.8	74.4
% Change	2.8	0.7	**0.8**	0.1	0.8
Inflation Rate, Honolulu MSA (%)	3.1	4.4	**4.1**	4.6	2.8
Nominal Personal Income (Mil $)	69,152.7	72,992.9	**76,570.3**	80,030.0	82,841.6
% Change	5.8	5.5	**4.9**	4.5	3.5

Note: Source is UHERO. Income figures for 2024 are UHERO estimates. Figures for 2025-2029 are forecasts.

TABLE 8: MAJOR ECONOMIC INDICATORS

HAWAII COUNTY FORECAST

	2023	2024	2025	2026	2027
MAJOR INDICATORS					
Nonfarm Payrolls (Thou)	70.9	72.5	**73.1**	72.4	72.3
% Change	4.1	2.2	**0.8**	−0.9	−0.1
Unemployment Rate (%)	3.2	3.2	**3.5**	3.9	3.9
Population (Thou)	208.5	209.7	**210.2**	210.3	210.4
% Change	1.0	0.6	**0.2**	0.1	0.1
Nominal Personal Income (Mil $)	10,975.8	11,730.2	**12,362.2**	12,867.0	13,325.5
% Change	5.2	6.9	**5.4**	4.1	3.6
Inflation Rate, Honolulu MSA (%)	3.1	4.4	**4.1**	4.6	2.8
Real Personal Income (Mil 2024$)	11,455.4	11,730.2	**11,871.7**	11,818.1	11,901.9
% Change	2.0	2.4	**1.2**	−0.5	0.7
Real Per Capita Income (Thou 2024$)	54.9	55.9	**56.5**	56.2	56.6
% Change	1.0	1.8	**1.0**	−0.5	0.7
TOURISM SECTOR DETAIL					
Total Visitor Arrivals by Air (Thou)	1,779.1	1,727.5	**1,695.8**	1,663.4	1,717.0
% Change	6.7	−2.9	**−1.8**	−1.9	3.2
U.S. Visitors	1,471.1	1,412.0	**1,404.9**	1,370.1	1,401.0
% Change	2.4	−4.0	**−0.5**	−2.5	2.3
Japanese Visitors	44.7	45.9	**40.0**	46.1	56.5
% Change	187.9	2.6	**−12.9**	15.3	22.7
Other Visitors	263.2	269.7	**250.9**	247.2	259.4
% Change	22.0	2.5	**−6.9**	−1.5	5.0
Average Daily Census (Thou)	38.4	37.0	**34.7**	34.3	35.5
% Change	1.9	−3.6	**−6.3**	−1.0	3.4
Occupancy Rate (%)	67.6	61.8	**58.7**	58.4	60.6

Note: Source is UHERO. Income figures for 2024 are UHERO estimates. Occupancy rate includes UHERO's estimate of TVR occupancy. Figures for 2025-2029 are forecasts.

TABLE 9: JOBS BY INDUSTRY

HAWAII COUNTY FORECAST

	2023	2024	2025	2026	2027
Nonfarm Payrolls (Thou)	70.9	72.5	**73.1**	72.4	72.3
% Change	4.1	2.2	**0.8**	−0.9	−0.1
Construction and Mining	3.9	4.0	**4.0**	4.0	3.9
% Change	4.2	3.6	**−1.6**	0.2	−2.3
Manufacturing	1.7	1.7	**1.8**	1.8	1.8
% Change	5.8	3.5	**3.1**	0.1	0.0
Trade	11.9	12.1	**12.1**	12.0	12.0
% Change	5.0	1.4	**0.2**	−0.9	0.0
Transportation and Utilities	3.4	3.5	**3.4**	3.4	3.4
% Change	7.7	2.2	**−0.7**	−1.9	0.4
Finance, Insurance and Real Estate	2.6	2.6	**2.6**	2.6	2.6
% Change	3.0	0.7	**1.4**	−0.4	−0.1
Services	33.0	33.4	**33.9**	33.7	33.7
% Change	4.8	1.3	**1.4**	−0.8	0.3
Health Care and Soc. Assistance	7.6	8.0	**8.1**	8.0	8.1
% Change	2.7	5.3	**1.5**	−0.5	0.7
Accommodation and Food	13.6	13.5	**13.6**	13.5	13.5
% Change	8.7	−0.9	**1.3**	−1.1	0.4
Other	11.9	12.0	**12.2**	12.1	12.1
% Change	1.8	1.2	**1.5**	−0.6	−0.2
Government	14.7	15.1	**15.3**	15.0	15.0
% Change	2.5	3.1	**0.8**	−1.6	−0.3
Federal Government	1.4	1.4	**1.3**	1.3	1.3
% Change	3.8	2.4	**−7.1**	−2.7	−0.3
State and Local Government	13.3	13.7	**14.0**	13.8	13.7
% Change	2.4	3.1	**1.6**	−1.5	−0.3

Note: Source is UHERO. Figures for 2025-2029 are forecasts.

TABLE 10: PERSONAL INCOME BY INDUSTRY

HAWAII COUNTY FORECAST

	2023	2024	2025	2026	2027
Real Personal Income (Mil 2024$)	11,455.4	11,730.2	**11,871.7**	11,818.1	11,901.9
% Change	2.0	2.4	**1.2**	−0.5	0.7
Labor & Proprietors' Income	6,715.5	7,045.8	**7,109.2**	7,023.5	7,015.2
% Change	4.2	4.9	**0.9**	−1.2	−0.1
Construction	—	—	**—**	—	—
% Change	—	—	**—**	—	—
Manufacturing	—	—	**—**	—	—
% Change	—	—	**—**	—	—
Trade	—	—	**—**	—	—
% Change	—	—	**—**	—	—
Transportation and Utilities	—	—	**—**	—	—
% Change	—	—	**—**	—	—
Finance, Insurance & Real Estate	—	—	**—**	—	—
% Change	—	—	**—**	—	—
Services	—	—	**—**	—	—
% Change	—	—	**—**	—	—
Health Care & Soc. Assist. (% ch.)	—	—	**—**	—	—
Accommodation & Food (% ch.)	—	—	**—**	—	—
Other (% ch.)	—	—	**—**	—	—
Government	1,507.5	1,645.9	**1,683.4**	1,635.3	1,619.3
% Change	3.6	9.2	**2.3**	−2.9	−1.0
Federal, civilian (% ch.)	4.0	2.3	**−4.3**	−3.0	−1.0
State & Local (% ch.)	3.3	10.4	**3.2**	−3.0	−1.1
Less Social Security Taxes (-)	872.2	860.8	**870.4**	860.5	860.4
% Change	9.8	−1.3	**1.1**	−1.1	0.0
Transfer Payments	3,126.4	3,124.7	**3,162.8**	3,230.8	3,303.2
% Change	−2.5	−0.1	**1.2**	2.1	2.2
Dividends, Interest and Rent	2,452.8	2,431.3	**2,409.4**	2,390.9	2,400.0
% Change	4.7	−0.9	**−0.9**	−0.8	0.4
Population (Thou)	208.5	209.7	**210.2**	210.3	210.4
% Change	1.0	0.6	**0.2**	0.1	0.1
Real Per Capita Income (Thou 2024$)	54.9	55.9	**56.5**	56.2	56.6
% Change	1.0	1.8	**1.0**	−0.5	0.7
Inflation Rate, Honolulu MSA (%)	3.1	4.4	**4.1**	4.6	2.8
Nominal Personal Income (Mil $)	10,975.8	11,730.2	**12,362.2**	12,867.0	13,325.5
% Change	5.2	6.9	**5.4**	4.1	3.6

Note: Source is UHERO. Income figures for 2024 are UHERO estimates. Figures for 2025-2029 are forecasts. Because of data disclosure rules, industry-level income is not available for some sectors.

TABLE 11: MAJOR ECONOMIC INDICATORS

KAUAI COUNTY FORECAST

	2023	2024	2025	2026	2027
MAJOR INDICATORS					
Nonfarm Payrolls (Thou)	31.7	32.2	**32.9**	32.6	32.6
% Change	3.1	1.7	**1.9**	−0.7	0.0
Unemployment Rate (%)	2.6	2.6	**3.0**	3.8	3.9
Population (Thou)	74.2	74.6	**74.7**	74.7	74.7
% Change	0.5	0.6	**0.1**	0.0	0.0
Nominal Personal Income (Mil $)	4,523.9	4,846.3	**5,140.1**	5,353.9	5,538.8
% Change	5.1	7.1	**6.1**	4.2	3.5
Inflation Rate, Honolulu MSA (%)	3.1	4.4	**4.1**	4.6	2.8
Real Personal Income (Mil 2024$)	4,721.6	4,846.3	**4,936.2**	4,917.4	4,947.0
% Change	1.9	2.6	**1.9**	−0.4	0.6
Real Per Capita Income (Thou 2024$)	63.7	65.0	**66.1**	65.8	66.2
% Change	1.4	2.1	**1.7**	−0.4	0.6
TOURISM SECTOR DETAIL					
Total Visitor Arrivals by Air (Thou)	1,418.7	1,370.4	**1,354.2**	1,322.4	1,352.5
% Change	5.4	−3.4	**−1.2**	−2.4	2.3
U.S. Visitors	1,248.4	1,207.8	**1,193.1**	1,161.3	1,184.4
% Change	3.4	−3.2	**−1.2**	−2.7	2.0
Japanese Visitors	5.9	7.2	**6.8**	7.5	8.7
% Change	98.8	22.5	**−6.0**	10.8	16.4
Other Visitors	164.4	155.4	**154.4**	153.5	159.4
% Change	21.5	−5.5	**−0.7**	−0.5	3.8
Average Daily Census (Thou)	29.0	28.0	**27.2**	26.9	27.5
% Change	1.4	−3.6	**−2.5**	−1.3	2.3
Occupancy Rate (%)	74.0	71.1	**69.9**	68.9	70.4

Note: Source is UHERO. Income figures for 2024 are UHERO estimates. Occupancy rate includes UHERO's estimate of TVR occupancy. Figures for 2025-2029 are forecasts.

TABLE 12: JOBS BY INDUSTRY

KAUAI COUNTY FORECAST

	2023	2024	2025	2026	2027
Nonfarm Payrolls (Thou)	31.7	32.2	**32.9**	32.6	32.6
% Change	3.1	1.7	**1.9**	−0.7	0.0
Construction and Mining	2.1	2.1	**2.1**	2.1	2.1
% Change	0.8	0.4	**0.2**	0.3	−2.4
Manufacturing	0.6	0.5	**0.5**	0.5	0.5
% Change	4.5	−10.0	**2.5**	0.7	0.3
Trade	4.4	4.3	**4.3**	4.3	4.3
% Change	1.9	−1.9	**−0.7**	−0.4	0.3
Transportation and Utilities	1.8	1.9	**1.9**	1.9	1.9
% Change	5.5	5.2	**2.7**	−1.8	−0.1
Finance, Insurance and Real Estate	1.1	1.1	**1.1**	1.1	1.1
% Change	0.0	0.0	**0.5**	0.1	0.2
Services	17.1	17.4	**17.8**	17.7	17.8
% Change	6.4	2.1	**2.3**	−0.7	0.3
Health Care and Soc. Assistance	2.7	2.7	**2.7**	2.7	2.7
% Change	2.9	0.0	**−1.4**	0.3	1.4
Accommodation and Food	8.7	9.1	**9.3**	9.2	9.2
% Change	9.9	4.3	**2.5**	−1.0	0.4
Other	5.7	5.7	**5.9**	5.8	5.8
% Change	3.2	−0.3	**3.8**	−0.6	−0.4
Government	4.9	5.0	**5.0**	5.0	5.0
% Change	−0.5	2.2	**0.5**	−1.3	−0.1
Federal Government	0.6	0.6	**0.6**	0.6	0.6
% Change	0.0	0.0	**−3.3**	−2.8	−0.7
State and Local Government	4.3	4.4	**4.5**	4.4	4.4
% Change	−0.6	2.5	**1.0**	−1.1	−0.1

Note: Source is UHERO. Figures for 2025-2029 are forecasts.

TABLE 13: PERSONAL INCOME BY INDUSTRY

KAUAI COUNTY FORECAST

	2023	2024	2025	2026	2027
Real Personal Income (Mil 2024$)	4,721.6	4,846.3	**4,936.2**	4,917.4	4,947.0
% Change	1.9	2.6	**1.9**	−0.4	0.6
Labor & Proprietors' Income	3,074.7	3,210.1	**3,274.5**	3,242.3	3,240.9
% Change	4.0	4.4	**2.0**	−1.0	0.0
Construction	—	—	—	—	—
% Change	—	—	—	—	—
Manufacturing	—	—	—	—	—
% Change	—	—	—	—	—
Trade	—	—	—	—	—
% Change	—	—	—	—	—
Transportation and Utilities	—	—	—	—	—
% Change	—	—	—	—	—
Finance, Insurance & Real Estate	—	—	—	—	—
% Change	—	—	—	—	—
Services	—	—	—	—	—
% Change	—	—	—	—	—
Health Care & Soc. Assist. (% ch.)	—	—	—	—	—
Accommodation & Food (% ch.)	—	—	—	—	—
Other (% ch.)	—	—	—	—	—
Government	517.8	558.0	**571.1**	557.1	552.6
% Change	−3.1	7.8	**2.4**	−2.5	−0.8
Federal, civilian (% ch.)	0.8	−0.1	**−0.3**	−3.1	−1.4
State & Local (% ch.)	−4.5	9.9	**2.7**	−2.6	−0.8
Less Social Security Taxes (-)	386.8	378.5	**387.9**	384.8	385.2
% Change	9.2	−2.1	**2.5**	−0.8	0.1
Transfer Payments	1,028.8	1,032.8	**1,046.1**	1,068.8	1,092.4
% Change	−4.6	0.4	**1.3**	2.2	2.2
Dividends, Interest and Rent	1,016.8	1,007.5	**1,005.5**	1,000.0	1,004.5
% Change	5.5	−0.9	**−0.2**	−0.6	0.5
Population (Thou)	74.2	74.6	**74.7**	74.7	74.7
% Change	0.5	0.6	**0.1**	0.0	0.0
Real Per Capita Income (Thou 2024$)	63.7	65.0	**66.1**	65.8	66.2
% Change	1.4	2.1	**1.7**	−0.4	0.6
Inflation Rate, Honolulu MSA (%)	3.1	4.4	**4.1**	4.6	2.8
Nominal Personal Income (Mil $)	4,523.9	4,846.3	**5,140.1**	5,353.9	5,538.8
% Change	5.1	7.1	**6.1**	4.2	3.5

Note: Source is UHERO. Income figures for 2024 are UHERO estimates. Figures for 2025-2029 are forecasts. Because of data disclosure rules, industry-level income is not available for some sectors.

TABLE 14: MAJOR ECONOMIC INDICATORS

MAUI COUNTY FORECAST

	2023	2024	2025	2026	2027
MAJOR INDICATORS					
Nonfarm Payrolls (Thou)	74.3	73.5	**74.0**	73.5	73.7
% Change	−0.7	−1.1	**0.7**	−0.7	0.3
Unemployment Rate (%)	4.5	4.3	**3.7**	4.0	3.7
Population (Thou)	165.0	163.7	**163.7**	163.9	164.1
% Change	0.3	−0.8	**0.0**	0.1	0.1
Nominal Personal Income (Mil $)	10,318.3	10,964.2	**11,557.3**	11,999.0	12,418.0
% Change	3.7	6.3	**5.4**	3.8	3.5
Inflation Rate, Honolulu MSA (%)	3.1	4.4	**4.1**	4.6	2.8
Real Personal Income (Mil 2024$)	10,769.2	10,964.2	**11,098.7**	11,020.9	11,091.3
% Change	0.6	1.8	**1.2**	−0.7	0.6
Real Per Capita Income (Thou 2024$)	65.3	67.0	**67.8**	67.2	67.6
% Change	0.3	2.6	**1.2**	−0.8	0.5
TOURISM SECTOR DETAIL					
Total Visitor Arrivals by Air (Thou)	2,531.2	2,379.1	**2,470.3**	2,476.0	2,639.4
% Change	−14.8	−6.0	**3.8**	0.2	6.6
U.S. Visitors	2,119.5	2,018.9	**2,137.5**	2,147.0	2,267.8
% Change	−17.1	−4.8	**5.9**	0.5	5.6
Japanese Visitors	11.9	14.7	**13.8**	13.6	15.0
% Change	108.6	23.3	**−6.2**	−0.9	9.7
Other Visitors	399.8	345.6	**319.1**	315.3	356.7
% Change	−1.4	−13.6	**−7.7**	−1.2	13.1
Average Daily Census (Thou)	56.3	51.9	**52.9**	53.3	57.2
% Change	−15.6	−7.8	**1.9**	0.8	7.3
Occupancy Rate (%)	57.8	58.3	**58.5**	58.5	62.3

Note: Source is UHERO. Income figures for 2024 are UHERO estimates. Occupancy rate includes UHERO's estimate of TVR occupancy. Figures for 2025-2029 are forecasts.

TABLE 15: JOBS BY INDUSTRY

MAUI COUNTY FORECAST

	2023	2024	2025	2026	2027
Nonfarm Payrolls (Thou)	74.3	73.5	**74.0**	73.5	73.7
% Change	−0.7	−1.1	**0.7**	−0.7	0.3
Construction and Mining	4.7	4.8	**4.9**	4.9	4.8
% Change	2.5	2.3	**2.4**	−0.2	−2.3
Manufacturing	1.2	1.1	**1.1**	1.1	1.1
% Change	−1.4	−9.0	**−3.0**	1.6	1.5
Trade	10.4	10.0	**9.9**	9.9	9.9
% Change	−0.9	−3.9	**−0.2**	−0.6	0.4
Transportation and Utilities	4.2	4.1	**4.1**	4.0	4.1
% Change	−1.0	−2.8	**0.9**	−1.9	0.5
Finance, Insurance and Real Estate	2.8	2.7	**2.7**	2.7	2.7
% Change	−2.9	−3.6	**0.6**	0.0	0.4
Services	42.1	41.8	**42.3**	42.0	42.3
% Change	−1.4	−0.9	**1.3**	−0.6	0.6
Health Care and Soc. Assistance	8.0	8.2	**8.2**	8.2	8.3
% Change	1.6	2.6	**−0.5**	0.1	1.2
Accommodation and Food	20.0	19.5	**19.7**	19.5	19.7
% Change	−2.4	−2.6	**1.2**	−1.0	0.8
Other	14.1	14.0	**14.4**	14.3	14.3
% Change	−1.6	−0.4	**2.5**	−0.5	−0.1
Government	8.8	8.9	**8.9**	8.8	8.8
% Change	3.0	0.7	**0.3**	−1.2	0.1
Federal Government	0.9	0.9	**0.9**	0.8	0.8
% Change	0.0	0.0	**−5.0**	−2.5	−0.2
State and Local Government	8.0	8.0	**8.1**	8.0	8.0
% Change	3.4	0.7	**0.9**	−1.1	0.1

Note: Source is UHERO. Figures for 2025-2029 are forecasts.

TABLE 16: PERSONAL INCOME BY INDUSTRY

MAUI COUNTY FORECAST

	2023	2024	2025	2026	2027
Real Personal Income (Mil 2024$)	10,769.2	10,964.2	**11,098.7**	11,020.9	11,091.3
% Change	0.6	1.8	**1.2**	−0.7	0.6
Labor & Proprietors' Income	7,172.2	7,277.3	**7,333.5**	7,265.2	7,285.1
% Change	0.9	1.5	**0.8**	−0.9	0.3
Construction	625.3	647.7	**659.1**	656.9	645.8
% Change	2.7	3.6	**1.8**	−0.3	−1.7
Manufacturing	91.9	84.1	**81.0**	82.4	83.9
% Change	−0.9	−8.5	**−3.8**	1.8	1.9
Trade	672.9	658.7	**656.6**	648.0	651.5
% Change	2.6	−2.1	**−0.3**	−1.3	0.5
Transportation and Utilities	378.1	376.9	**380.6**	371.9	373.7
% Change	2.4	−0.3	**1.0**	−2.3	0.5
Finance, Insurance & Real Estate	543.2	540.2	**541.8**	541.1	542.0
% Change	−4.0	−0.6	**0.3**	−0.1	0.2
Services	3,860.1	3,927.3	**3,983.3**	3,946.9	3,969.8
% Change	3.6	1.7	**1.4**	−0.9	0.6
Health Care & Soc. Assist. (% ch.)	2.0	5.3	**−0.5**	−0.2	1.2
Accommodation & Food (% ch.)	−1.0	−0.1	**1.5**	−1.5	0.9
Other (% ch.)	6.6	1.9	**2.4**	−0.7	−0.1
Government	955.4	1,014.8	**1,034.1**	1,009.7	1,004.0
% Change	5.6	6.2	**1.9**	−2.4	−0.6
Federal, civilian (% ch.)	4.2	−0.1	**−2.1**	−3.0	−1.0
State & Local (% ch.)	5.5	7.5	**2.4**	−2.5	−0.6
Less Social Security Taxes (-)	825.2	803.0	**805.0**	796.0	796.6
% Change	8.2	−2.7	**0.2**	−1.1	0.1
Transfer Payments	2,004.8	2,030.8	**2,057.1**	2,103.8	2,151.4
% Change	−4.0	1.3	**1.3**	2.3	2.3
Dividends, Interest and Rent	2,380.9	2,356.2	**2,350.2**	2,336.3	2,352.0
% Change	6.1	−1.0	**−0.2**	−0.6	0.7
Population (Thou)	165.0	163.7	**163.7**	163.9	164.1
% Change	0.3	−0.8	**0.0**	0.1	0.1
Real Per Capita Income (Thou 2024$)	65.3	67.0	**67.8**	67.2	67.6
% Change	0.3	2.6	**1.2**	−0.8	0.5
Inflation Rate, Honolulu MSA (%)	3.1	4.4	**4.1**	4.6	2.8
Nominal Personal Income (Mil $)	10,318.3	10,964.2	**11,557.3**	11,999.0	12,418.0
% Change	3.7	6.3	**5.4**	3.8	3.5

Note: Source is UHERO. Income figures for 2024 are UHERO estimates. Figures for 2025-2029 are forecasts.

TABLE 17: EXTERNAL INDICATORS

STATE OF HAWAII FORECAST

	2023	2024	2025	2026	2027
U.S. FACTORS					
Employment (Thou)	161,969.6	162,903.8	**163,441.1**	163,533.4	164,229.6
% Change	2.1	0.6	**0.3**	0.1	0.4
Unemployment Rate (%)	3.6	4.0	**4.4**	4.7	4.5
Inflation Rate (%)	4.1	3.0	**3.5**	4.4	3.1
Real GDP (Bil chained 2012$)	22,671.1	23,305.0	**23,520.4**	23,715.9	24,102.8
% Change	2.9	2.8	**0.9**	0.8	1.6
Population (Thou)	337,141.0	340,212.0	**342,412.5**	344,182.4	345,647.4
% Change	0.8	0.9	**0.7**	0.5	0.4
JAPAN FACTORS					
Employment (Thou)	67,469.2	67,806.7	**67,939.1**	67,590.5	67,266.5
% Change	0.4	0.5	**0.2**	−0.5	−0.5
Unemployment Rate (%)	2.6	2.5	**2.5**	2.5	2.5
Inflation Rate (%)	3.3	2.7	**3.8**	2.6	1.3
Real GDP (Bil chained 2011 yen)	557,058.6	557,454.0	**564,097.0**	565,692.4	568,633.5
% Change	1.5	0.1	**1.2**	0.3	0.5
Population (Thou)	124,516.6	123,911.6	**123,279.7**	122,616.2	121,929.5
% Change	−0.5	−0.5	**−0.5**	−0.5	−0.6
Exchange Rate (Yen/$)	140.5	151.5	**142.2**	133.9	129.3
% Change	6.9	7.8	**−6.1**	−5.8	−3.4

Note: Source is UHERO. US Employment for 2023 and 2024 is adjusted by UHERO to reflect population revisions by the US Census Bureau. Figures for 2025-2029 are forecasts.

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