



UHERO FORECAST PROJECT
COUNTY FORECAST:
PUBLIC SUMMARY

NEIGHBOR ISLAND TOURISM STILL HAS ROOM TO GROW

JUNE 5, 2015





UHERO

THE ECONOMIC RESEARCH ORGANIZATION
AT THE UNIVERSITY OF HAWAII

UHERO COUNTY FORECAST

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EXECUTIVE SUMMARY

After a rather soft 2014, the counties are poised for better performance over the next several years. Tourism will see additional healthy gains on the Neighbor Islands for the next two years, before rising occupancy and costs begin to bring down growth rates, something that has already occurred on Oahu. Construction, which has disappointed so far, will become a significant contributor to growth. Gains in employment have brought unemployment rates down substantially, and moderate expansion of jobs and income will continue, helping to solidify the local spending leg of the economic expansion.

- Large increases in scheduled airline seats, ranging from 20-30% on Maui and the Big Island for the second quarter and mid-single digits on Kauai, will facilitate healthy visitor expansion on the Neighbor Islands, which will see growth in the roughly 3-5% range this year, before tapering off. Continuing weakness in Japanese arrivals will be offset by more robust expansion in other international markets and from the US mainland. Weak currencies in many countries will hold back visitor spending and lengths of stay. Honolulu visitor growth has ended for now because of capacity constraints.
- The construction industry has begun to add a moderate number of jobs on Oahu and Maui, but there are no signs of life yet on the Big Island or Kauai. The focus of activity has been in nonresidential resort and retail development, mostly on Oahu, although residential permitting numbers on Oahu are held back by the categorization of some components of high-rise condo development as nonresidential. Progress toward home price recovery will begin to drive an upturn in residential activity on the Neighbor Islands, and significant resort related development is slated for Maui County. Overall, this upswing will be much less robust than the last one.
- Aside from construction, the strongest job growth will generally be seen in the wholesale and retail trade sector in the near term, but slowing as the tourism expansion wanes. Our large “other services” category, which includes everything from entertainment to professional services, will continue to see moderate growth. Healthcare faces particular challenges on the Neighbor Islands associated with the financial woes of the State hospital system, although over the medium term the sector can be expected to rise to meet the needs of an expanding and aging population. Government budget pressure will limit the role of the public sector in job creation, especially at the federal level.
- Overall job growth will continue at a moderate pace in the near term. The tighter labor market conditions and restrained inflation associated with low energy prices will support healthy growth in real income, ranging from 2+% on Oahu to the 3+% range on the Neighbor Islands for the next few years, before dropping back as the county economies slow toward trend.
- Most of the risks to the forecast are external to the state, including the potential for policy errors by the Fed, heightened fiscal austerity in the US, Europe, or Japan, or a failure by China to engineer a “soft landing” of their slowing economy. Barring such surprises, a long-awaited pickup in construction and improving household finances will propel moderate growth for the next several years.

COUNTY MAJOR ECONOMIC INDICATORS
YEAR-OVER-YEAR % CHANGE

	2012	2013	2014	2015	2016	2017
HONOLULU						
Visitor Arrivals	11.4	2.9	2.3	0.3	0.1	0.0
U.S. Visitor Arrivals	5.0	1.5	1.1	-0.1	0.4	-0.3
Japan Visitor Arrivals	18.1	3.4	0.7	-3.2	-2.1	-1.0
Other Visitor Arrivals	18.8	5.2	6.9	5.3	1.9	1.5
Payroll Jobs	2.0	1.8	1.1	1.5	1.3	1.0
Real Personal Income	2.1	0.2	2.2	2.3	2.2	1.7
HAWAII						
Visitor Arrivals	8.7	0.1	0.7	2.7	2.1	1.4
U.S. Visitor Arrivals	4.4	-0.8	2.0	3.4	1.7	0.4
Japan Visitor Arrivals	22.9	-1.9	-14.4	-8.1	3.7	4.4
Other Visitor Arrivals	15.4	4.8	7.2	6.5	2.3	2.9
Payroll Jobs	2.3	2.5	0.4	1.1	2.0	1.7
Real Personal Income	2.0	2.2	1.8	2.7	3.5	3.1
MAUI						
Visitor Arrivals	6.4	2.1	1.4	5.4	1.3	0.7
U.S. Visitor Arrivals	4.6	0.4	2.6	6.3	1.3	0.7
Japan Visitor Arrivals	9.5	15.9	-24.4	5.2	-4.1	-5.6
Other Visitor Arrivals	12.6	5.8	1.6	2.5	2.2	1.5
Payroll Jobs	3.6	2.7	1.9	1.9	1.8	1.5
Real Personal Income	3.7	1.5	3.9	3.1	3.1	2.8
KAUAI						
Visitor Arrivals	7.2	2.7	-0.1	3.8	3.7	1.9
U.S. Visitor Arrivals	6.4	2.0	-0.3	3.5	3.4	1.7
Japan Visitor Arrivals	18.4	5.5	-19.0	3.1	2.7	4.2
Other Visitor Arrivals	9.9	6.4	4.1	5.5	5.3	2.4
Payroll Jobs	1.6	3.1	0.7	1.3	2.1	1.1
Real Personal Income	2.1	2.2	2.0	2.5	3.3	2.4

Figures for 2015 - 2017 are forecasts.
Figures for 2014 county income are UHERO estimates.

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